

# FAR EASTERN ECONOMIC REVIEW

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## Plebiscite for Formosa

The political changes in China which have now resulted in the disintegration of the right wing and the centre of the Kuomintang are regarded by the Formosan emancipation movement as an historic opportunity to obtain the necessary support from the Western Powers to arrange for a plebiscite in Formosa, under United Nations supervision, which should eventually confirm their contention, namely that it is the majority wish of the people of Formosa to establish an independent state of their own. Agitation among the Formosan youth has grown very strongly in the past 3 or 4 months when it became obvious that the refugee Chinese regime of Nanking intended to build up the Island as a last bastion where they could defy the combination of Communists, Liberals, leftist Kuomintang groups and the "peace makers" under the acting President Li Tsung-jen.

The few years of Chinese rule in Formosa have brought much misery, suffering and exploitation of the worst colonial type to the native population. A recital of the tragic record of misrule which was inflicted on the Formosans is no longer necessary; those international observers of the Far Eastern scene who followed events in Formosa, especially after the massacre of February 1947 under the spoliating crowd of Chekiang and Shanghai professional politicians, are fully conversant with the facts. The complaints of the people of Formosa are well known, their desire to gain independence is taken for granted but the practical methods to be employed to achieve this end are all but simple. Various Formosan political parties and associations in exile have appealed to the United Nations and to the major world powers as well as to various Far Eastern nations to permit a plebiscite in Formosa which, they appear to be convinced of, will show that the vast majority of the people are opposed to the continued domination of the Chinese regime and are enthusiastically demanding the immediate declaration of independence. It is now up to the United Nations to prove to the Formo-

sans and to the world that the cause of a small nation will be taken up and that an unbiased investigation will be carried out and if it so happens that the wishes of a whole people have been ignored such situation will be rectified.

There should, however, be no delay as the break-up in China of authority and public morality under the KMT regime threatens Formosa very directly; the Island is now being developed as the CC-clique's last retreat which, with all its concomitants such as further hordes of carpetbaggers, must result in determined antagonism and must create an explosive situation which could easily lead to violence in spite of the large Chinese forces of occupation. It is not surprising to learn that under such circumstances the people are more ready to listen to their native and to the Chinese Communists who promise them at least autonomy and, possibly, the establishment of a Formosan People's Republic, affiliated with the future People's Republic of China. Communist propaganda finds a most fertile soil in Formosa as the people on the Island have all come to witness and suffer under an anachronistic form of exploitative feudalism which did not add one positive thing to the life of the Formosans but only took away and made the nation poorer in every respect. One of the worst features of the colonial rulers from Nanking was the progressive expropriation of the middle classes and the creation of mass unemployment as a result of the policy of taking over by the Chinese from the mainland of what remunerative jobs there were available in Formosa. As the U.S. Government and particularly SCAP in the former territories of the Japanese Empire are the sole arbiters in this part of the world it would appear politically prudent to restrain the Nanking regime from making further inroads in Formosa, and to sponsor eventually a motion in the U.N. for the holding of a plebiscite in Formosa. The United States can well afford to gain the friendship of a people in the Pacific and if quick action is taken there will be abiding cooperation between Formosa and the U.S.

## Hongkong Textile Industry

The textile experts, Mr. A. Hollas and Mr. H. E. Wadsworth, who were sent out by the Cotton Board in Manchester at the request of the Hongkong Government to advise on means of improving the local textile industry, have now completed their survey and will shortly be returning to England. Their report will be awaited with interest by local mill owners, who will in due course have the opportunity of studying its contents.

Hongkong by its position at the entrance to an inexhaustible market, possesses unrivalled possibilities for developing its textile industries. Furthermore, by being part of the British colonial Empire, it is able to claim the advantages of Imperial Preference for trading within that Empire, and should thus be able to withstand competition from other quarters. On the other hand, the industry is hampered by an inability to purchase the quantities it requires of American cotton, which is best suited for its purposes, owing to an inadequate allocation of exchange, for which of course the Hongkong Government cannot be held entirely responsible and which also applies to other countries in the sterling area to a greater or lesser degree; it is also facing heavy weather in procuring supplies of raw cotton from Pakistan, which has imposed restrictions on its export, for the time being at any rate; and, perhaps the greatest handicap of all, the local industry is limited by the geographical conditions of the Colony itself, which hardly allow of a very considerable expansion of the industry. This latter point should serve to allay any apprehensions that Lancashire might feel in regard to the growth of a new competitor in Hongkong.

It is worthy of note, that in spite of fears of competition, which are really groundless, Lancashire was willing to send two of its outstanding experts to advise in building up a healthy industry in Asia. In any event, the knowledge thus gained at first hand of conditions in the Far East should prove of assistance to the British textile industry in its turn, as the first step towards handling any problem whether it be competition or simply trade, is an understanding of the situation, and this the Cotton Board is now in a position to acquire.



A serious weakness in Hongkong's textile industry, which undoubtedly must have come to light in the survey just concluded, is its lack of balance. On the one hand we have up-to-date spinning mills, housed in modern buildings equipped with the best machinery and with every facility, employing young workers and possessing a wide reservoir of labour upon which to draw for training purposes; to quote Mr. HOLLAS, it is a "superb" organisation which can stand up to anything in Lancashire for modern equipment and good management. In other respects, however, the picture is not so pleasant. Conditions in the knitting and weaving mills unfortunately, in the majority of cases, are frankly bad, of which fact the Colony is well aware; the looms are often crowded together in a poor light and health provisions are practically non-existent. One worker to a loom is the rule, the system of four looms to a worker being apparently unknown; a Lancashire worker's spirit would be broken were he to be placed in such a milieu. It is to be hoped that the knitting and weaving mills will really be able to benefit as a result of the survey that has been conducted.

As mentioned before, Hongkong is part of the British Empire, and should be able to play its part in world reconstruction. There should be a place for its textiles in the cheaper markets of the world; markets which Lancashire cannot easily reach, though having the advantage in a far larger output than could ever be contemplated by a small industrial centre like Hongkong; the total number of spindles in the local mills is under 200,000, not equal to those in the one town of Bolton alone! Apart from China, Malaya is one of Hongkong's most promising markets, but others are also being developed and it is well that Government is awake to the possibilities that lie before a well-organised industry.

### Indonesians in Business

The Government of Indonesia is largely contributing to increased participation of Indonesians in the import and export trade of the country. Indonesian "new comers" are receiving easy credits and special quota to establish themselves in the shortest possible time as importers and exporters. But the building up of an efficient organisation requires not only capital and facilities but experienced and reliable men. Particularly in this post-war world with all its restrictions on international trade, lack of experience may well lead to speedy collapse or to subordination to some foreign agency.

There are already signs of Indonesian firms, not being able to compete on a profitable basis or fill their quota, accepting the assistance of "outside relation." It is, of course possible that such help is coming forward on a basis of mutual benefit, but in matters of international commerce, pure friendship and unselfish assistance are rare qualities. Therefore, the possibility is

### The British Four Year Plan and Prospects for further Industrial Advance in 1949

The Four Year Plan submitted by the United Kingdom Government to the Organisation for European Economic Co-operation is a challenge to British industry. The terms of the Plan are not rigid, neither can they be enforced by some central authority; the various figures of production and of imports and exports are not even forecasts of what will be achieved; the Plan, in fact, tells each industry what it must do to make Britain economically independent by 1953. In this sense the Plan is a challenge to the ingenuity of managements and workers, a challenge to their skill, enterprise and capacity for hard work. If they meet this challenge successfully, then the British people will have a "reasonable" standard of living in 1953, which means that most people will be living better than they were before 1939 though the richer sections of the community will still be rather worse off. But by 1953 industry should be well-equipped to offer a steady improvement in living conditions, a gradually expanding prosperity which will be shared fairly among the people.

British industry made good progress in 1948. There was a general expansion in enterprise and performance, though it was not uniform. Some industries improved their output more than others, and some, beset by shortages of materials, labour, or modern machinery, made little progress. Industrial production increased, overall, by about one-tenth in 1948. This was a substantial improvement and brought British industry up to a high starting point for the first year of the Four Year Plan. It will be difficult, perhaps impossible, to expand industrial production by another ten per cent. in 1949. For one thing, the Nation's economic resources cannot be used solely to expand the output of goods which the British people need and which can be sold abroad—textiles, clothing, pottery, furniture, automobiles, refrigerators, typewriters, and so on. A large part of industry and much capital,

not remote that inexperienced Indonesian firms seeking assistance abroad fall into the hands of such individuals or organisations, which are out to make easy gains with complete disregard to the interests of their Indonesian partners. Evidence of such unwelcome moves and developments has not only been found in such a spectacular instance as the illfamed Fox contract, but also in minor transactions.

Essential for the political independence of Indonesia will be that a strong, stable and responsible government is created, able to prevent economic subjugation to foreign interest. By trying to make Indonesian organisations participate in the import and export trade of their country, every effort is being made to promote a sense of responsibility among Indonesian merchants and to give them experience. It will be up to their own dexterity and skill to build up a sound trade in the interest of Indonesia as a whole.

labour and machinery must be used to build new factories, new steelworks, new oil refineries, new electric power plants, and new machinery of all kinds. At the same time hundreds of thousands of houses must be built, along with new schools, new universities, technical colleges, hospitals and rest homes, though there is not enough labour, nor enough steel and other materials for all these projects urgently needed for industry, education and health. The many plans for rapid expansion and development have had to be trimmed and pruned to fit in with the nation's total resources, and in the Four Year Plan, the economic experts have decided how much of the available resources can be used for social progress and for the re-equipment of industry and how much must be used for the production of salable goods. The experts have calculated that Britain can spend nearly £250 million on these various capital development schemes, each year, for the next four years.

The Plan sets out clearly what should be achieved by 1953, and though it does not present yearly programmes for all industries, it is easy to guess what each industry must try to accomplish during 1949. Britain and Europe must have more coal, and the Coal Board and the Miners Union have already prepared their own plan to get more coal. They have finished with targets which are set high on the assumption that thousands of men can be recruited to go into the coal mines. The new coal programme has no target; it lays down the ways and means of improving productivity, and the methods to be followed to get a bigger output from each miner. If the miners improve their productivity by five per cent. in 1949, as the Plan asks them, they will have done well and will give the nation another thirteen million tons of precious coal.

Britain must have more steel, too. The steel-workers have worked hard for the last few years. By resting only one day in every eight days, they produced fifteen million tons of steel in 1948, a million tons more than their original target. They can hardly be expected to do better in 1949. They are already overworked. Nevertheless, the Plan asks them to add another two million tons of steel ingots and castings to their present high level of output during the next four years. They should do it, for several modern large-scale steel plants are now being built and will come into full operation in 1950 and 1951, and some new furnaces and rolling mills which have been added to existing plants will come into use in the next few months. At some point in the next two or three years, the steel workers, aided by all their new plant and equipment, will hit their 1953 target and will then be able to reduce their hours of work without any drop in output. A working week of 56 hours is too long by all modern standards. But this strenuous working week was not introduced at the



request of the steel companies, it has been a voluntary effort prompted by the iron and steel trade unions and willingly accepted by the workers, so that full employment could be maintained in the steel-using industries.

On the assumption that the output of steel will keep on increasing, the Four Year Plan calls for higher production from the engineering, machinery, automobile and shipbuilding industries. Apart from shipbuilding, the output of these steel-using industries is already 50 per cent. up on pre-war, and they are exporting more than twice as many automobiles, electricity generators, machine tools, railway locomotives and so on. The plan assumes that this level of exports will be maintained, and that the increasing output of the next few years will help to speed-up the modernisation of Britain's industries and help to satisfy the patient citizens who have been waiting for years for new cars, washing machines, and other domestic amenities of our modern civilisation.

In textile production there is even more room for improvement and there should be good progress in 1949. Recent experiments have shown the way. In some individual plants, where working operations have been reformed, output has increased by a third without employing additional workers. These new methods, using old machines, until greater quantities of new machinery come along, will certainly be extended over most of the cotton, woollen and rayon industries.

The biggest developments of all are planned for the oil and chemicals industries. There is no oil in Britain; oil has to be imported and up to now most imported oil has been refined abroad, there have been very few refineries in Britain. A dozen large refineries are now being built and by 1953 Britain will import and refine 20 million tons of crude oil a year. Attached to the refineries will be a large new chemicals industry extracting industrial and domestic chemicals from the by-products. At the same time the original chemicals industry, based on coal, limestone and salt, will be greatly expanded. Britain is already more than self-sufficient in chemicals, and these new large-scale projects are designed to build up a vast export trade.

All the projects in the Plan call for greater productivity, a bigger output from each worker, an all-round improvement which is to be gained mainly from new industrial plants, new machinery and modern equipment. Productivity can be improved in some industries without new machinery; in shipbuilding, for instance, and in house-building, and during 1949 there will be renewed efforts to improve labour-management relations in both.

The year 1949 will be the first year of the period of expansion; and it would perhaps be a mistake to expect outstanding progress in the production of finished products in the first year. The most important developments in 1949 will be the opening of the industrial plants that were started in 1945 and 1946, the first of which are now being finished—new

## The Post-War Economy of South Korea

ECONOMIC CONDITIONS IN SOUTH KOREA UNDER THE ADMINISTRATION AND OCCUPATION OF THE U.S. MILITARY GOVERNMENT

Economic conditions in South Korea must be viewed against a background of political changes which came with the end of World War II—the end of Japanese control and the division of Korea into a North and South zone along the 38th parallel. Although the end of the war meant liberation from Japanese rule, it has engendered serious economic problems. Korea had been developed for several decades as a part of the Japanese economy, not as a self-sustaining unit. Japanese landlords and agricultural corporations owned the best farm lands, Japanese industrial firms were the owners of most factories and exploited Korean minerals, Japanese technicians and managers held key positions in industry, and Japanese traders dominated the foreign trade. Agriculture was geared to the needs of the Japanese market and industry was developed to support Japanese economy. Although suffering almost no direct war damage from military action, Korea's economy was disrupted during the war years. For example, the Japanese had diverted the nitrate production of Northern Korea from fertilizers to explosives with a resulting depletion of soils and an increasing food problem. The Japanese made almost no repairs or replacements on industrial machinery, and transportation and communication facilities were allowed to deteriorate. Raw material stocks accumulated in Korea over a period of years were almost completely used up. With the war's end new difficulties brought a complete collapse in the economy; the sudden separation from Japan, the removal of Japanese controls, and the repatriation of almost all Japanese technicians which followed September 1945 resulted in disorganization of agricultural and industrial production, and an interruption of trade.

The division of Korea into two zones, with the United States occupying the area south of the 38th parallel and the Soviet Union occupying the area north of this line, has added to the serious disruption of economic conditions and imposed increased obstacles to recovery because the two zones have been economically interdependent. South Korea is predominantly an agricultural area with considerable development of fishing but relatively poor in minerals and industry, whereas North Korea is the industrial region supported by

electric power plants, new steel works, new textile mills and new coal mines and other modern industrial giants which will expand and speed up production, not so much perhaps in 1949, but certainly in 1950. From then on the widespread improvement in productivity should be swift and impressive, to give Britain what Sir Stafford Cripps has promised—the capacity to pay her way in the world and to offer her people a steadily rising standard of living.

mineral deposits and hydroelectric development. South Korea depended upon chemical fertilizers from the north for its agriculture and upon fuel and power for its industry. Since the beginning of the occupation the transmission of electric power from the north to the south has been permitted in return for equipment and materials. In November 1947, however North Korea reduced the power transmitted to South Korea and in May 1948 power transmission was completely cut off.

South Korea's economy since the end of the war has been further burdened by increased population resulting from the influx of refugees from North Korea and repatriates from other parts of Asia. By the end of 1947 South Korea's population was more than 20,000,000, having increased by 1,500,000 over that of 1945 despite the evacuation of about 750,000 Japanese. Providing work and food for this additional population has accentuated the serious economic problems. South Korea has been barely started on a long and arduous road to economic recovery. Complete rehabilitation and the establishment of a balanced stabilized economy depend not only on internal problems but also, to a great extent, on the economic recovery of other parts of the Far East which are the logical customers and suppliers for Korea. Economic unification of all Korea would contribute considerably to recovery, but that possibility, at least in the near future, is highly improbable.

### Agriculture and Food

Agricultural production constitutes the major basis of southern Korea's economy, with rice, barley, and other food grains of primary importance and potatoes, soybeans, beans, fruits, and fiber crops (including mulberry for sericulture) of secondary importance. About 21 percent of the total area of Korea was in farms in 1940; in southern Korea where climatic and terrain conditions are most promising for agriculture, the percentage is somewhat higher. Farming is characterized by small units (the average about 3 acres per family) and heavy dependence upon human labour with relatively crude farm implements. Approximately three-fourths of the cultivated area is usually planted in cereals and normally much of the irrigated area is double-cropped, producing rice in the summer and barley, wheat, or rye in the winter. Heavy use of natural and commercial fertilizers is required. Tenancy and debt have long been other features of Korean agriculture, but during the three and half decades of Japanese control the proportion of tenants nearly doubled and high rents paid in crops were exacted from Korean farmers. In 1945 more than three-fourths of the cultivated land was operated under the tenant system and rents averaged about 60 percent of



the total crop. Although Korean agriculture was characterized by primitive methods, high farm tenancy and somewhat low crop yields (considerably lower than those of Japan), in prewar years southern Korea produced enough to meet its food crop requirements and also provided surpluses for export. Under Japanese domination successful efforts were made to enlarge exports, but the large rice exports meant lower consumption levels for the Korean population and were partly offset by imports of millet from Manchuria. In order to insure maximum grain exports the Japanese stationed inspectors throughout the country to collect surpluses and the domestic consumption of grains was rationed.

Since the beginning of the American occupation, agriculture in southern Korea has encountered serious difficulties and the region has been unable to meet all its food requirements from indigenous production. Rice, the basic food commodity, has been in short supply largely because of the failure of the Japanese to provide fertilizer during the war years accentuated by postwar shortages of fertilizer. Farmers have also reduced double-cropping as they are reluctant to plant winter crops of barley or wheat on soils already depleted by the more important rice crop grown in the summer and fall. Fuel shortages have increased excessive deforestation with consequent floods and erosion destructive to agricultural lands. Other factors adversely affecting production have been the neglect of irrigation works during the war period and the recent abandonment of many unprofitable farms operated under wartime Japanese pressure. In addition, population shifts and generally unstable economic conditions following the end of the war are factors in the reduced production. Occupation authorities gave primary attention to the problem of increasing production of food crops. They attempted to enlarge fertilizer supplies through increased domestic production, necessary because most of the Korean fertilizer plants which formerly supplied the area are north of the 38th parallel. They also encouraged production of food crops by providing farmers with consumer items as incentive goods. Although some measure of success was achieved in encouraging food production and also in the program of rice collection for distribution to nonproducers, food had to be imported into South Korea during both 1946 and 1947. About 650,000 metric tons were imported in 1946, but by 1947 the imports to make up food crop deficiencies were reduced to 450,000 tons of wheat, corn, rice, barley, and wheat and soya flour. Although the occupation authorities directed their attention primarily to maximizing production of food crops, they were also concerned with the general improvement of conditions of the agricultural population. Japanese nationals were removed from office and returned to Japan, programs were initiated for reducing farm rents, for increasing farm

ownership, for encouraging, where possible, the use of modern methods, and for improving the production of cotton and other special products. All Japanese-owned property including about 12.5 percent of the cultivated acreage was invested in the United States Military Government in Korea and, in 1946, the New Korea Company was established to manage this property. This company leased land to farmers far below former rates and was active in improving property and in rice collections. In March 1948, this land has been transferred to the National Land Administration which sells land to the farmers; 697,000 acres of former Japanese-owned land was for sale in early 1948. The Korean tenants on these lands were given first opportunity to buy, paying in farm produce over a period of years. By May 15, 1948, the title and deeds of 58 percent of the farms offered for sale were registered in the names of Korean farmers.

#### Forestry

About 40 percent of the total land area of South Korea is estimated to be in forest land, but much of this forested area has been overcut and depleted of growing stock. The present forests contain a large proportion of young trees and if cut on a self-sustaining basis are insufficient to meet current domestic requirements. Whereas annual requirements to meet South Korea's basic needs are estimated at about 150,000,000 cubic feet of standing timber, the calculated allowable cut on a sustained-yield basis amounts to about 70,000,000 cubic feet. More than two-thirds of the fuel wood and lumber requirements of southern Korea normally were supplied from the north, which has a higher proportion of forested land and is less populated. During the war when the Japanese directed all coal to war industries the Koreans cut more deeply into their forests for firewood than formerly. Separation of South Korea from the northern zone, together with the heavy wartime drain on its own resources, has made for a serious postwar wood supply problem. Unless domestic production is augmented by imports for many years to come, deforestation with its consequent damage from erosion, floods, and silting of the irrigation system will increase.

Firewood is the most important forest product, as Koreans depend largely upon it for heating and cooking; the 1946 production amounted to about 202.6 million cubic feet. Log production, estimated at 21.8 million cubic feet in 1946 was primarily for use as lumber, construction logs, railroad ties, and box boarding. Charcoal is a forest product of considerable importance although after 1945, with the repatriation of the Japanese, who used it extensively, production dropped sharply.

During the occupation period, steps have been taken to conserve existing forest stocks by establishing forest police to prevent indiscriminate cutting of trees and to stop the wasteful practice of clearing wooded land for tem-

porary use by burning. The Korean Bureau of Forestry has recommended a 10-year reforestation program calling for the planting of 550 million seedlings annually. Total nursery capacity, however, is about 200 million seedlings per year and to date nurseries have been operating far short of capacity because of shortages of seeds and lack of capital to purchase needed equipment and to pay the high labour costs. Only 90 million seedlings were planted in 1946 and about 130 million in 1947.

#### Fishing

The waters off Korea contain valuable fishery resources that have supported a fishing industry of considerable importance. Fishing underwent rapid development under the Japanese, and in some years of the 1930's, when the sardine landings were high, Korea produced more than 1,750,000 tons. In the years following 1937, however, when sardines failed to appear in large schools as formerly, total production was considerably lower. Production data for the fisheries of South Korea during the occupation period are incomplete, but the total landings of marine products for 1946 are reported at about 300,000 tons, with a slightly higher level indicated for 1947. The industry has been handicapped in the postwar period by shortages of boats, gear, and preservation and refrigeration facilities. Many of the larger-powered fishing craft were used to transport Japanese personnel to Japan and most of these boats remained in Japan.

Although many of the best fishing grounds are north of the 38th parallel and therefore inaccessible to the fishing fleet of South Korea, the resources south of the line are large enough to offer excellent opportunities for catch much greater than that of 1947. With full rehabilitation of the industry to a level of prewar production fishery products of South Korea waters can help in increasing the indigenous food supply and also provide a major source of foreign exchange.

#### Mining

Although Korea as a whole has a considerable variety of minerals, contains some minerals with important reserves, and exported significant quantities of minerals and mineral products before the war, South Korea is relatively poor in mineral resources and production. The area south of the 38th parallel produced in 1944, for example, only 21 percent of Korea's total coal output, 3 percent of its iron ore, and 25 percent of its zinc. Not only is South Korea poor in mineral wealth as compared with North Korea, but most of the minerals being worked are in small low-grade deposits or deposits near exhaustion. Many deposits which would normally have been disregarded were mined with the encouragement of subsidies by the Japanese because of critical mineral shortages in the Japanese.



military economy. Coal is of inferior quality and there are no known deposits of petroleum. South Korea, however, has deposits of tungsten, graphite, and gold, that can become valuable export commodities. Mica, fluorite, and molybdenum offer minor possibilities.

South Korea's tungsten, which was of enormous importance to Japan in the war effort, is one of the most important potential exports. In 1944, the time of peak production, South Korea produced 5,838 metric tons of tungsten oxide (in terms of 60 percent WO<sub>3</sub> concentrate), an increase from 31 tons in 1931. The Sang-dong deposits of Kangwon Province, the major producing district, at one time yielded at least one-fourth of all tungsten concentrate consumed in the Japanese Empire. During the occupation period, production has recovered from a very low level in late 1945 to more than 500 tons of 60 percent tungsten per month in the second half of 1947.

During the war Korea was a leading world producer of graphite and 44 percent of the peak 1944 production (103,000 metric tons) was from South Korea. Neglect of mining equipment and lack of repairs reduced production, however, so that despite efforts toward recovery the 1947 production was less than one-fourth that of 1944. Although graphite offers promising possibilities as a future export commodity, a limiting factor is its relatively poor quality. The comparatively low value per unit makes it difficult to export to distant markets with profit.

Korea has been one of the leading producers of gold in the Far East and Korean gold has been utilized by Japan in the past as an important source of foreign exchange. During 1940 when heavy subsidies were paid to encourage production, there was an output of 26 metric tons, of which 40 percent was from South Korea. For part of the prewar period gold accounted for 55 percent of the total value of minerals produced in South Korea. During the war, gold production was suspended so that labour and equipment could be devoted to the mining of strategic minerals needed by Japan, but since early in 1947 gold mines have been reactivated. Production in the period July through 1947 mounted to 50.44 kilograms metal content. Although the Japanese depleted many of the larger gold deposits, gold mining, particularly from placer deposits, should provide significant production for future foreign exchange. Since Korea has its own gold mining engineers and technicians, lack of qualified personnel should not be as important a limiting factor in this field as in most other phases of mining and industry.

Copper and lead deposits in South Korea are small and workable on an economical scale only in conjunction with gold mining. Quantities produced can probably be sufficient to satisfy local requirements, but not for providing exportable surpluses.

Zinc ores, mined in larger quantities than either copper or lead, constituted a prewar and wartime export to Japan. The 1944 production amounted to ores containing 8,195 metric tons of zinc. South Korea may again provide considerable zinc ore for export.

Coal occurs in South Korea in considerable quantities, but there are no known deposits of bituminous or coking coal and the anthracite and lignite deposits are of inferior grade. About 35 anthracite and lignite deposits are worked but one deposit, the anthracite deposit of the Samchok district near the east coast, accounts for about half of South Korea's total coal production. In 1947 production of Government-financed anthracite mines amounted to 353,800 metric tons and that of lignite mines to 36,100 tons. In addition to this production, mines were operated under provincial authority and under private ownership for which production data are not available. The 1947 production of these two groups of mines (anthracite and lignite) may have been as high as 175,000 tons, making the total coal production about 564,900 tons. Because the anthracite is of poor combustible quality, most of it is used in pressure firing of boilers for industry or is briquetted for domestic use by the addition of pitch and imported bituminous coal. Lignite is used chiefly for household fuel by local population of the communities near the deposits. Although 1947 coal production has increased by more than 100,000 tons over that of 1946 and additional mining machinery and equipment can be expected to help in rehabilitation, South Korea will continue to be heavily dependent upon outside sources for bituminous coal needed for the satisfactory operation of railroads, thermal electric plants, metal smelters, coke and gas plants, and other industries.

#### Manufacturing

Industrial production is of minor importance in the South Korean economy. Although the Japanese developed many manufacturing plants in Korea, the greatest concentration of industries was in the north near hydroelectric power plants and larger mineral deposits. South Korea's factories consist largely of small plants producing consumer goods such as textiles, rubber products, paper, ceramics, hardware, oils and fats, and processed foods. There are also several hundred sawmills to provide lumber. An industrial survey made late in 1946 reports about 5,270 industrial establishments employing 5 or more workers with a total of 133,000 employees. More than half of these had less than 10 employees and 80 percent had less than 25 employees. The total output of these plants operating at capacity, together with the numerous household industrial units, which have always played an important part in Korean economy, is insufficient to meet the minimum requirements of the area. South Korea normally produces only a few specialty items, such as agar-agar and other fishery products, in excess of its needs.

At the time American forces entered South Korea, factory production was almost at a standstill. Although partial recovery has been accomplished since September 1945, industry during 1947 operated at a level well below that of prewar years. Household industries, which are especially important in the fields of foodstuffs, textiles, woodworking, and ceramics, have been less seriously affected than factory production. This type of manufacturing, which probably accounts for about one-third of total production in the postwar period, has tended to stabilize production and partially offsets the reduced factory output. Recovery of factory production has been handicapped by lack of raw materials, lack of repair and replacement parts, lack of trained technical and managerial personnel as a result of Japanese repatriation, and power and transportation difficulties.

**Textiles:**—During 1946 and 1947 the spinning of cotton cloth trended upward. In May 1946 there were 60,000 operating spindles; in October 1946, 130,000; and in early 1947, about 200,000. Factory production of cotton yarn was reported as 3,965 kilograms for 1946 and 5,588 kilograms for 1947 and cotton cloth production increased from 21,092 meters in 1946 to 29,002 meters in 1947. Although production has increased, the level of output during 1947 was still well below that of prewar years. Shortage of raw cotton was one factor in the lower production; domestic cotton production was reduced because land formerly planted in cotton was devoted to food crops. Lack of repair and replacement parts and of technicians was another factor. Coal shortages and power difficulties were additional problems.

**Paper:**—The industry, consisting of about 120 paper mills, is one of South Korea's important small industries. In 1946 these mills produced about 4,000 metric tons of paper, but in 1947 mills were forced to close because stockpiles of sulphite pulp, supplied from northern Korea, were exhausted and could not be replenished. The downward trend was accelerated by scarcity of electric power.

**Food-Processing Industries:**—Food-processing factories during the postwar period were fewer in number than formerly and the output of operating plants was reduced. Fish-processing plants were handicapped by a reduced catch and the canneries were also affected by shortages of tin plate. Soybean-processing plants, dependent largely upon soybeans from northern Korea and Manchuria, were closed and many breweries closed in order to conserve grain. Flour and noodle production in factories was largely dependent in 1947 upon imported wheat and upon availability of power. Factory production of flour in 1946 was reported as 22,036 metric tons and in 1947 as 22,253 tons.

**Rubber Goods:**—The manufacture of rubber items as compared with that in prewar years remained low. The rubber shoe industry, which is reported to have a capacity of about 1,500,000 pairs



of shoes monthly, produced 184,000 in May 1947, the peak of postwar production. The main handicap has been scarcity of imported raw materials. Prospects for further recovery and expansion of industry in South Korea depend upon the provision of additional raw materials, equipment and replacement parts, development of power, and training of technicians. Improvement of agriculture, mining, and fishing is basic in providing increased domestic raw materials. Equipment and additional replacement parts must largely be imported. Plans are being developed to rehabilitate and improve power resources so as to make South Korea less dependent on the northern area, but large capital outlays will be necessary if power-generating capacity is to be raised to meet requirements. One of the leading deficiencies in the present economy of South Korea, the absence of plants producing nitrogenous fertilizers, can also be remedied but only through large capital expenditures.

#### Transportation and Communications

**Railroads.** The railroads, which constitute the core of Korea's internal transportation system, suffered several years of wartime neglect and during the occupation period have maintained service only with great difficulty because of lack of adequate replacements, repairs, and competent personnel. When American troops arrived in September 1945, South Korea had 474 locomotives of which only about 180 were operative, and a considerable proportion of the rails, ties, and other equipment needed replacements. During the early occupation period only small steps toward improvement were achieved but in 1947 greater strides toward railroad rehabilitation were accomplished. The import of American-made locomotives brought the total in December 1947 to 650, of which 240 were operative. At the end of 1947, however, supplies of repair and maintenance parts and trained operators and technicians were still needed.

In addition to these difficulties, the division of Korea into two zones changed the pattern of railroad traffic. The main railroad lines run north and south throughout the length of the peninsula and were also integrated into the Manchurian system, but since the beginning of the occupation there has been no transportation between North Korea. Operations in South Korea were also retarded by the lack of bituminous coal, all of which had to be imported from Japan during 1947. Although transportation was allocated 42,736 metric tons of the average monthly coal shipments of 57,877 tons, the amount was considered as 60,000 to 60,000 tons below monthly requirements.

Despite these difficulties the railroads of southern Korea handled heavy traffic. Last March almost 5,000,000 passengers (more than the monthly average carried in all Korea in 1937) and freight amounting to 408,000 tons (about one-third the total monthly average for all Korea in 1937) were hauled by the railroads.

**Highways.**—Although the highway system also fell into disrepair during the war, road transportation became increasingly important during the occupation period because of difficulties in the rehabilitation of railroad transportation. Motortrucks and animal-drawn vehicles were used extensively to supplement the railroads. The occupation officials, for example, depended heavily on trucks in distributing fertilizer supplies and in the collection of rice from the farmers.

**Shipping.**—South Korea normally had reasonably adequate coastal shipping but during the occupation period the operation of vessels has been hampered by scarcity of repair and maintenance materials, lack of ship supplies, lack of trained seamen, and the scarcity and high prices of fuel and lubricants. Korea has no merchant marine as most prewar and wartime shipping was done in Japanese vessels. By September 1947, 12 LST (Landing Ship Tanks) purchased through Foreign Liquidation Commission were operating from ports of South Korea.

Although there are some 250 ports along the coast of South Korea, only 8 have rail connections. The principal ports are Pusan, a modern deep-water port with good rail facilities, and Inchon, which is smaller and more restricted because of large tidal range. The use of many of the smaller ports is limited largely to the fishing fleet by tidal range and lack of harbour facilities. The following ports were designated as trade ports of entry: Pusan, Inchon, Kunsan, Mokpo, Mukho, Cheju; and Kimpo Airport (near Seoul).

The prewar postal, telephone, telegraph, and radio systems were generally adequate for Korean needs although they would be considered inefficient and out of date by western standards. Until the end of the war they were profit-making systems but have all incurred heavy deficits since the beginning of the occupation. This adverse financial situation resulted from the sharp decline in volume of business and the considerable lag of rates behind marked increases in operating costs. The main reasons for decline in volume of business includes the repatriation of almost all the Japanese who were the main users of communication facilities, the disruption of the normal flow of communication because of the 38 parallel barrier, and the relative isolation of Korea from the rest of the Far East during this period of readjustment. Most of the technicians formerly operating Korea's commercial facilities were Japanese whose repatriation has left South Korea seriously deficient in trained personnel in this field.

#### Financial Conditions

During the occupation period, South Korea has been beset with inflation and a national budget seriously out of balance. Economic stabilisation has not been attained. Inflation was under way before American occupation. With the collapse of Japanese controls, bank note circulation doubled during August

and September 1945, and the general price level increased during these 2 months by about 20 times. Since September 1945, the note issue of the Bank of Chosun has steadily risen, from 8.8 billion won in October 1945 to 10.3 billion in July 1946, 18.3 in January 1947, and 33.4 in December 1947. This expansion of currency in circulation has been accompanied by a rise in uncontrolled commodity prices. A rough index of the price rise is provided by the index of retail prices of 26 commodities in Seoul. This index (100=August 1945) rose during 1946 to 880 and during 1947 from 1,185 (January) to 1,916 (December). Since the index includes some commodities with controlled prices, uncontrolled commodities rose at a rate greater than indicated by this index. Occupation authorities have attempted to stabilise the general price level by price control, rationing of certain key commodities, by importing from the United States to put more goods into the economy, and by holding wages within an established range. Although these measures have averted a runaway inflation, Korean finances have been characterised by marked inflation.

The national budget has been seriously out of balance because revenues have failed to keep pace with increased Government expenditures. In 1947 revenues ran about 1,040 million won per month while expenditures averaged about 1,830 million won. The principal sources of revenue are the Government monopolies on tobacco, salt, and ginseng. Steps have been taken to increase taxes, public utility charges, and custom rates, and to reduce expenditures in an attempt to stabilise the budgetary situation. Despite these efforts, the gap could not be closed and the Government had to resort to overdrafts with the Bank of Chosun (Bank of Korea).

#### Foreign Trade

Before the war Korea exported rice and marine products, minerals, lumber, and smaller amounts of manufactures and imported bituminous coal and petroleum, cheap grains, heavy manufactures and machinery, automotive equipment, textile and fibers, and other consumer goods. Exports of rice prior to 1937 constituted almost half of the total value of exports and in many years fishery products ranked second. By 1939, however, the rice exports declined and the minerals and manufactures became more important.

Korea's prewar trade was woven into the economy of the Japanese Empire. About 95 percent of all exports were to Japan, Manchuria, and Kwantung Leased Territory and 90 percent of the imports were from these same areas. Japan itself was both the major consumer and the major supplier. Although a net importer in almost every year during the period of Japanese control (1910-15), Korea's debit trade balance was offset through Japanese acquisition of land and capital assets in Korea and by substantial shipments of gold to Japan.



South Korea's trade in the postwar period was characterized by heavy imports of food, fertilizers, machinery, equipment, and raw materials and very small exports. Total civilian supply imports were valued at about \$130 million whereas Government-level exports were about \$5.5 million for the year 1947. With reduced rice production, no cheap grain imports from Manchuria as in prewar years, and an enlarged population, grains and flour were major items in 1947 imports. Fertilizer materials, obtainable in prewar years from the northern part of the peninsula, were unavailable from this source so that the 1947 supplies essential to agricultural recovery were imported.

Whereas the prewar and wartime trade was oriented toward Japan, foreign trade of South Korea since the beginning of the occupation period has consisted predominantly of importation from the United States. The imports in 1947 were still largely in the nature of relief shipments to prevent starvation, disease, and unrest. Only a relatively small amount of normal foreign trade was conducted in 1947 although there was slightly more of this type than during 1946.

The trade of South Korea during 1947 was largely at a Government level although private trade was resumed during the year for the first time since the end of the war. The Government-level trade consisted primarily of direct imports of supplies from the United States conducted through Military Government, of imports of surplus military stocks held by the United States in the Pacific war theater conducted through the Foreign Liquidation Commission, and trade with Occupied Japan. Additional Government-level trade was with Hongkong. In addition to foodstuffs, fertilizer, and Army surplus materials, the United States supplied petroleum and medicines. Japan provided machinery, mining, industrial and communications equipment, coal, and some chemicals. Exports to the United States consisted of scheelite, lead base bullion, copper and lead ingots, and agar-agar; exports to Japan were graphite, zinc concentrate, scheelite, magnesia clinker, electrolytic copper, mica, laver, and apples. Exports to Hongkong consisted largely of ginseng and ferro-tungsten.

Private trade, resumed in July 1947, was largely with China, Hongkong, Macao, and Malaya in Asia, with England and Norway in Europe, and with the United States. Private trade was stimulated by the establishment in July 1947 of the Korean Foreign Exchange Bank, Ltd., and by Hongkong's repeal in August of its "Trading with the Enemy Act" which permitted direct trade between Hongkong and South Korea. In the absence of a commercial exchange rate for the South Korean won, private trade was conducted on a so-called "barter basis." Foreign-exchange certificates were sold on the open market but could be used only for the purchase of "approved im-

ports" specified by the Korean Department of Commerce. A certain amount of illegal trading was also done with North Korea, China, Japan, and Manchuria.

#### South Korean Imports and Exports Under Private Trade

For the year 1947

In thousands of won, the military conversion rate being 50 per US\$1).

Country	Imports	Exports
Total, all countries	2,088,125	1,111,133
China .....	673,280	255,224
Japan .....	10,362	0
French Indochina..	566	0
Netherlands Indies	54	0
Burma .....	3,711	0
Malaya .....	237,309	0
Siam .....	1,693	0
Singapore .....	62,010	0
Hongkong .....	148,056	465,406
Macao .....	120,934	337,781
India .....	141,959	0
Philippines .....	1,625	0
U.K. ....	100,374	0
U.S.S.R. ....	35	0
Norway .....	158,165	0
Italy .....	9,668	0
Belgium .....	4,000	0
Sweden .....	41,804	0
Finland .....	15,197	0
France .....	4	0
Holland .....	6,300	0
U.S.A. ....	268,554	52,722
Canada .....	7,560	0
Mexico .....	3,528	0
Australia .....	77,377	0

The commodities handled through private trade were of the same general categories as those of Government-level trade but differed in some specific items. Imports of foodstuffs and raw materials included salt, sugar, oils and fats, cotton, and rubber. Chemicals, dyes, drugs, and paper products were other imports. Exports were predominantly fishery products (agar-agar, laver, and dried fish and shellfish), metal concentrates, ginseng, and silk products (cocoon fibers and silk floss).

South Korea's foreign trade position in 1947 was unsatisfactory, characterized by heavy relief imports, limited export availabilities, abnormal geographical distribution, no commercial foreign exchange rate, and almost no foreign assets or investments. Serious wartime and postwar disruption of internal economic conditions has engendered many of these difficulties in foreign trade. Further rehabilitation of agriculture and fishing may provide the principal exports of the future, with minerals and handicrafts of significant but secondary importance. Future foreign trade is contingent, however, upon the establishment of fertilizer production facilities, development of power plants, stabilisation and rehabilitation of internal economy, and the establishment of a position in international markets.

## JAPAN

### PROBLEMS OF JAPANESE INDUSTRIES

#### Aluminium

Due to the worldwide shortage, aluminium is gaining in importance as one of Japan's export goods. Ingot has not yet been shipped abroad from Japan, but a sizeable amount of aluminium ware and sheet has been exported in the past. The conversion rate for aluminium is Y426 to the dollar because the dollar price on the American market is about \$330 per metric ton. If full account is taken of the reactionary effects that will be brought about upon imported necessary materials, such as bauxite and cryolite, by the new single rate, the break-even point for aluminium ingot will be Y509 if the single rate is set at Y300; Y554, at the rate of Y400; and Y615, at the rate of Y500. This means that even if the rate is fixed at Y500, aluminium exports will be no paying business. This is ascribed to the following factors:—(1) Production volume is yet negligible. It was only in 1948 that Japanese aluminium plants were allowed to resume operation after temporary suspension following the war's end, while 100,000 metric tons of bauxite were imported subject to SCAP approval. But production failed to pick up because coal, electric power and subsidiary materials, such as caustic soda, pitch-coke and cryolite have not been supplied sufficiently. Though equipped with the most up-to-date plants, the output by Nippon Keikinzoku K.K., which represents the major part of the nation's aluminium production capacity, was only 3,630 metric tons in 1948. Even at the Kambara Plant, which has begun to register high production efficiency, the monthly output averages only 700-800 metric tons. (2) In order to make aluminium, Japan has to import bauxite from the South Sea areas, and the same amount of coal as bauxite, and 2,040 K.W.H. of electric power per metric ton are required. In addition, superior coke, cryolite, etc. have to be obtained from foreign sources. Thus, the material cost is high. (3). Because these materials are all heavy goods, transport charges constitute a big portion of production cost. (4). The dollar prices of Japan-made aluminium and manufactures thereof are knocked down by foreign buyers.

One of the most important prerequisites for aluminium exports is a further increase in production volume. According to the five-year program, 30,000 metric tons of aluminium are to be turned out during the current year. Assuming that this output target is attained, the cost would be curtailed to the extent that exports might be placed on a break-even basis at the rate of Y350 to the dollar, provided only that no change occurs in the supply situation of electric power,



coal and other materials, and that no reactionary effect is brought about upon the cost of production by the Y350 single rate. In fact there is no possibility of such a favourable development.

The cost of production widely varies among the three aluminium companies—Nippon Keikinzoku, Showa Denko and Nisshin Kagaku. The selling price per metric ton of 99.3 per cent aluminium is Y139,000 for the Nippon Keikinzoku, Y162,000 for the Showa Denko and Y165,000 for the Nisshin Kagaku. The Nippon Keikinzoku's cost is low mainly because it is equipped with its own efficient power plants. In order to promote aluminium exports, efforts and materials should be concentrated upon the Nippon Keikinzoku and the other two companies should be directed to suspend their operation. This proposal, however, is extremely difficult to translate into practice. The Nippon Keikinzoku will be able further to expand its production and cut down its cost if it succeeds in effecting collaboration with the Reynolds interests.

#### Rubber Goods

For rubber goods exports, contracts concluded during the October-December period, 1948, were estimated to involve Y733 million, of which auto tires and tubes comprised Y324.8 million, 44 per cent, beach balls Y170.5 million, or 23 per cent, toys Y92.7 million, or 13 per cent, canvas shoes Y63 million, or 8 per cent, and bicycle tires and tubes Y27.4 million, or 4 per cent. The yen-dollar conversion rate ranged from about Y400 to Y550 for all sorts of rubber goods except belts for which the rate stood at Y250.

The export price for a set of tires and tubes is Y9,730.50. As the dollar price is \$24.85, the conversion value is Y390, or less than the temporary rate of Y450 effective for rubber goods since February. Thus, contracts can be concluded without any hurdle for some time to come, but efforts will have to be made before tire and tube exports can be on a paying basis at the rate of Y300-350.

There are indications that cost of production will record a tangible rise. The power rate, the coal price and freight are most likely to be raised. Textile materials, such as tire cords, will advance in price as a reaction to the fixing of the Y250 temporary rate for textile goods. Only if this rate is applied to cotton yarn, the production cost of auto tires will go up by Y2,000 per piece. Among import materials, carbon black will fall in import cost, but there is no cutting down the cost of crude rubber.

With the reactionary price advance in textile materials put out of account, the indirect cost can be curtailed to the extent that tire exports may be able to make both ends meet at the rate of Y370 even if the increases of freight and power rates and the coal price are taken for granted. But it appears impossible to make tire ex-

ports paying at the rate of Y350 as long as the above-mentioned adverse circumstances remain unremoved.

For canvas shoes, the conversion rate is now Y550, or outside the range of the Y450 temporary rate. From October through December, last, contracts were made for about 244,000 pairs valued at Y63 million. Since the adoption of the Y450 rate in February, it has been hardly possible to obtain new contracts. The dollar price abroad is about \$3 per pair, although contracts have thus far been made with foreign buyers at the rate of \$0.43-45 per pair. Therefore, it may be possible to raise the dollar price to some degree. The cost of production can be cut down by about 20 per cent. In such a case, canvas shoes exports will be on a break-even point at the rate of Y450. But if the probable effects brought about upon the price level due to the Y250 temporary rate for cotton yarn are taken into account, the present conversion rate will further go down from Y550 to Y680 to the dollar, making canvas shoes exports almost impossible.

Prospects are gloomy for crude rubber imports because the current conversion rate is Y120 as against the temporary rate of Y450. If the price adjustment subsidy is confined to only foodstuffs and iron ore and not applied to crude rubber, it would be impossible to import crude rubber and export rubber goods.

#### China Ware

With the yen-dollar conversion rate for export china ware being Y500-550 to the dollar, the pottery industry will be hard hit if the single exchange rate is adopted at a high level. The possible effects of the single rate will differ because of individual scales of business and resultant costs of production. The question is: To what extent can the cost of china ware production be curtailed? This is dependent upon a further elevation of the yield from kilns. Immediately following the war's end, the yield rate was about 50 per cent even in the case of leading manufacturers, but improved to 85 per cent recently. If the rate is

restored to pre-war level of 90 per cent the cost of production can be reduced by 5 or 6 per cent. Efficiency can be enhanced through technical improvement of kiln operation, balanced installation of equipment and appliances, operation at full capacity and concentration upon those articles which can be mass-produced like insulators.

It is essential to reduce freightage which now stands at a high level. Shipping charges can be saved if packages for dinner sets are made of vulcanized fibre, as pre-war, instead of wood. This will cut freight and stevedore expense from \$5.83 to \$2.98 per set. This means that the c.i.f. price at the American port of discharge can be curtailed to that extent.

Japan-made chinaware may be able to enjoy wider popularity and higher marketability than at present, if their quality improves through selection of superior materials, modernisation of designs, etc. This depends upon market conditions abroad. Also these technical improvements are possible only for some leading corporations.

In the case of high-tension insulators, there is leeway to raise the dollar price level because supply is short of demand throughout the world. It takes three or four years for European manufacturers to deliver high-tension pottery insulators after they received orders, and in the United States, insulators are usually delivered two years after receipt of orders.

It can be concluded that if the single exchange rate is fixed at Y350 to the dollar, first-class china ware manufacturers will find their business on a paying basis, and that even at the rate of Y300, it will not be impossible for them to make both ends meet. The present conversion rate at Y500-550 appears to be too favorable. Their average cost of production is 30 per cent lower than the ordinary cost for minor china ware makers. Minor interests are less mechanized, possess less rationalised facilities and are less advanced in technique than leading corporations. The rate of yield from kilns is, therefore, incomparably low for them.

### The Tokyo Stock Exchange and General Financial Outlook

Stock prices have continued low with the general tendency restricted to reshuffling, and transacted volume has fallen. This is in marked contrast to the activity that pervaded for some time since October, last. Share prices must be reviewed from a new angle. The recent adjustment trend began on January 6. The bull market had continued steady up to the New Year resumption of transactions on January 4; and great briskness was seen on the following day. But, although the general view was that this boom would continue through January and that even if there were a reactionary slump it would not set in until after February, the adjustment trend began much sooner than expected with January 6

as the turning point. This caught many traders off guard, and besides the braking effect brought into play by an abundance of offerings, holdings purchased at high quotations tended to suppress prices. Whether or not these investors will be able to hold out until the next bull market arrives depends upon their material resources and upon their faith in the future of the stock market. Money, of course, will be the deciding factor. For it is evident that the general monetary stringency will not be eased; and the view that share prices would take a downward trend in February was based mainly on the expectation that, with the intensification of the tax "offensive" with the ending of the fiscal year, the general shortage



of money would become so serious as to suppress the price of shares. This is at the bottom of the recent slump in the stock market; and further proof is offered by the fact that since entering into February tax payments have averaged about ¥5,000 million daily. At this rate, the expected total of ¥47,000 million in tax collection for February will be easily surpassed. From the viewpoint of tax collection and payment this is a happy state of affairs, but insofar as stock market quotations are concerned the situation acts in an adverse manner. Tax collection will continue thus as a damper through March; and although investors appear to have been better prepared than last year to survive the shock, it is undeniable that investment ability will suffer a temporary setback.

Another factor governing market prices is the amount of negotiable shares. It is astonishing that the flood of shares appearing since October, last, was absorbed without undue difficulty. The shares released last year by the Securities Co-ordinating and Liquidation Commission amounted to roughly ¥5,000 million. This last, of course, is the aggregate of the market price, and it appears that the paid-up value of the SCLC-released shares totalled about ¥2,000 million. So these shares, the greater bulk of which was released after September, 1948, were sold at a premium of more than 100 per cent. With shares issued for capital increase, roughly half a year has elapsed since the enactment of the Securities Transaction Law, and of the applications covering some ¥28,400 million filed with the Securities Transaction Commission up to last year-end, increased capitalization took up roughly ¥25,100 million and newly established company shares, ¥3,300 million. Financial institutions issued ¥12,852 million worth of capital increase shares; and this huge amount, which up to last September had been viewed with misgivings, did not act unfavourably on the stock market, while the remaining bulk of other enterprise capital increase stocks were also sold off without much difficulty. By absorbing both the SCLC releases and the capital increase issues, the stock market has indicated a truly amazing capacity.

The supply of marketable shares will continue to increase. For, the SCLC still holds for release shares aggregating some ¥12,000 million in paid-up value. Among these, however, superior and readily marketable shares are relatively scarce; the majority being of provincial origin. So it appears unlikely that premium will be so high as heretofore, and some may even have to be shelved because of their lack of appeal. Nevertheless, the fact remains that the quantity of shares to be released will be greater than in the past.

In addition to the above, capital increase necessitated by enterprise rehabilitation are expected to total from about ¥30,000 million to ¥40,000 million. A certain amount of regulation

will be practised and simultaneous selling of SCLC and capital increase shares will be avoided. But it appears that there is a desire to effect these sales as quickly as possible; and with capital increase shares, the urgency is considerable because of the need for funds by the enterprises involved. There is some doubt as to whether this large supply of new shares can be absorbed as easily as was done last autumn up to the year-end.

The ability of the stock market to dispose of a heavy supply of shares since last autumn sprang from the bullish trend which happened at that time. Shares do not sell when prices are low; buyers appear when quotations are on the rise. Also, high prices have a magical effect on the raising of funds. Money for financing the purchase of shares has recently come from entirely new sources—the pockets of the new rich and the hoards of the general public—partly as a result of the campaign for the democratization of enterprise shares. Such sources will, no doubt, continue to be tapped by share investment; but with prices stalemated as at present, capital becomes wary and unwilling to venture forth. Then, with heavy tax collection causing shortage of money a lull is bound to set on the buying of shares. On top of this, there is the above-mentioned abundance of shares, which brings with it a danger of temporary glutting of the market. With a further increase in new stock issues to cover capital increases, investments in new enterprise is bound to suffer a setback.

There is another grave problem overshadowing the future of Japan's financial world. This is the effectivization of the steps called for by the 9-Point Economic Stabilization Program and the establishment of the single general rate of exchange. The measures to be adopted will be in conformity with actual conditions and will therefore be generally conducive to economic recovery. Nevertheless, because rationalization of industry will be pushed, a general deflationary tendency cannot be avoided. Then, with the shares market saturated with favourable factors since the November bull trend, it is now sensitive to even the slightest unfavourable factors. With the progress of deflation, monetary stringency and other matters making for hardship in business operation, a lid is sure to be clamped down upon share prices. Therefore, vigilance of the general financial situation should be the correct attitude for the stock market as a whole; share prices are not in a position to make a positive upward movement.

In times like the present when price levels are unstable, it is useless to look for orderly share price fluctuations in accordance with the recognized principles of supply and demand, and action and reaction. For, with shares the stage has been reached where intrinsic value is the deciding factor; and the

very lowness of quotations has come to be the strength of shares as commodities. Share prices tend to approach general price levels when inflation is on the decline.

As for prices in general, it is the aim of the single general exchange rate to stabilize Japan's price structure from both domestic and international angles. The recent importance attached to the problem of asset revaluation springs from the necessity for a properly balanced economy. Therefore, it is only logical that the hitherto neglected share prices should come into play as a factor in the movement for financial equilibrium. Today, with the closing of the gap between black market and official prices, a definite course in the direction of stabilization is being taken; and inflation in commodity prices can be said to have come to an end. Therefore, even though share quotations are low, funds remain in commodities. Although not a general tendency, there is a movement of funds towards certain potentially profitable shares.

The situation is clearly different from that which obtained during the first and second postwar years when inflation was as yet unstable. Therefore, although share prices may be low, there will be no crashing fall; and the worst that could happen would be a lull in the market. Nevertheless, it must be expected that the next boom period will not bring about indiscriminate and general climbing of prices. High prices will be caused only by asset revaluation, capital from abroad, and the establishment of the single rate of exchange. Signs of such rise are already discernible in the price movements; and stock market quotations will be among the most interesting and important indicators of financial trends.

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## FINANCIAL REPORTS FROM JAPAN

### Third Economic White Paper

The Economic Stabilization Board's latest analysis of Japan's economy was brought to light in the form of its White Paper issued on February 12th. After making a review of the progress Japan has made toward the restoration of her economic stabilization, the Paper dilates upon the grave reality now confronting her economic reconstruction. Thanks to the U.S. aid costing over US\$400 million a year and the enormous amount of the subsidies from the national budget, Japan's production has improved, the progress of inflation is being curbed and labourers are enjoying their increased take-home incomes. Here is endorsed the metaphorical description of Minister Joseph Dodge that Japan's economy of today is standing on the "stilts."

The Paper of the E.S.B. admits that Japan, in its present stage, cannot effectively protect the economy from devastation, for the Japanese industries



are still squandering the capital accumulated by the people in the past. Taking these things into consideration, the Paper summarizes various contradictory problems which Japan will have to face in materializing the nine-point program. These problems are said to be:—

(1) that the existing gap between the domestic prices and the international price level is likely to tend wider; (2) that the improvement in the industrial production versus the degrading purchasing power of the people to aggravate the existing difficulty in agrarian communities, small and middle class enterprises; (3) that the maintenance of the official price structure will become impracticable; (4) that the emphasis of Government control is to be shifted to the direction of money from commodities.

With the forthcoming single general exchange rate as a turning point, Japan will have to acquire the self-sustenance of her economy in the nearest possible future, securing a tolerable standard of living for her people. In order to achieve these objectives Japan's efforts should be concentrated on the stabilization of currency, the smoothing of the price differences and recovery of the self-paying basis of her industry.

In this connection the Paper urges the far-reaching economization of the nation's consumption and the acceleration of production even at the cost of the austere life of the Japanese people.

#### Policy of the Finance Minister

The Japanese Government will grant export import subsidies, which are to be given in relation to the parity calculation of the staple grains, utilizing a part of the surplus of the Foreign Trade Funds Special Account, Mr. Ikeda, Finance Minister, has stated. The remainder of the surplus will be appropriated to a new special account of the budget, through which the government is going to give financial aid to the recovery of Japan's economy.

The statement is significant and indicative of the government intention not to transfer the surplus of the Foreign Trade Funds to the general account, because the Trade Funds owes much to the GARIOA and the EROA funds. The Minister's opinion regarding the main issues in the budget compilation is summarized as follows:—

It will be practically impossible for the government to abolish the transaction tax, chiefly because they can hardly find an alternative source of revenue at present but the government will try to discard this unpopular tax. The Minister is desirous of establishing a special board in every taxation office, whose function it is to receive the complaints or protests of the public against undue reassessment. As for the Reconstruction Finance Bank accommodation, it is natural that the Bank should gradually give its ground to the city banks. The Finance Ministry is to conduct the lending of the city banks on this principle. Meanwhile proper deliberations are under way among them to facilitate financing for the building of houses. In order to compile

the national budget as one of the stepping stones to the stabilization of the national economy, it is inevitable that the appropriation for public works should be considerably reduced, though such will be a deviation from the pledged policy of the Democratic-Liberals.

#### Tardy Payment of Wages to be Smashed

SCAP urged the Japanese Government to enforce the existing labour laws with a view to preventing a delay of wage payment to labourers, which was witnessed among the private enterprises. As a result of the joint study of Article 24 of the Labour Standard Law, the authorities of the Labour Ministry and the Public Procurator's Office have recently forged a series of criteria by which to guarantee the wage-earners. Until very recently the Labour Ministry used to check the employers whether they had done their

best to secure the wages due to their workers whenever such complaints come to the Ministry. From practical experience in the past they have found that it is not always easy to measure the paying ability of the employers within a limited time. Moreover it is apprehended that some of the ill-meaning employers might find an excuse for ignoring the regular pay-day, because they know that the official investigation will not be made within the short space of time.

Therefore, the new interpretation of Article 24 is intended to remove as much as possible such cunning tactics on the part of employers. An order will be issued by the Labour Ministry to those employers who have failed to pay wages to quickly set a definite date of settling the delayed payment. If the employers do not give a definite answer, or fail to carry out the payment as they have pledged, a report will be transmitted to the procurator's office.

### Present Condition of Japanese Shipping

(By our Japanese Correspondent)

In 1941, when Japan was at her peak in shipping, she had a tonnage totaling 6,380,000, ranking third in the world. However, during the war years 1941—1945, she lost 3,129 vessels totaling 8,830,000 tons. At the close of the war the number of her vessels was reduced to a mere 850, totaling 1,400,000 tons. Moreover, 70% of these ships with their inefficiency and low safety were in such a state that only about 10 ships could be used for ocean cruises.

Despite the poor condition of the merchant marine, the fleet is playing an important role in the rehabilitation of Japan by transporting commodities and materials. Cargoes transported during recent months show a marked increase over the months following the close of the war, as below.

All vessels in Japan are chartered by and operated under Japanese Government. But some of them are allowed to be borrowed and operated by shipping companies.

As the transportation of commodities is the principal factor for increasing production, we would like to strengthen our merchant marine but various conditions do not allow us to realize our object.

From the termination of the war to March 1948 only vessels totaling 330,000 tons have been built. Why the ship building industry is so inactive can be seen from the fact that (1) the number of vessels Japan is allowed to possess has not been decided and (2) the high cost of labour and materials.

#### Steel Ships Launched After the War (in thousand D/W)

1945 .....	81,261
1946 .....	130,191
1947 .....	125,014
Total .....	336,466

#### Freight Transported By Ships (in thousand tons)

Mo. & Yr.	Coal	Lumber	Domestic Trade	Foreign Trade	Total
Dec. 1945 .....	119.4	13.0	193.6	53.1	246.7
May 1946 .....	214.7	54.2	396.5	121.0	517.5
May 1947 .....	353.3	36.9	588.6	242.3	830.9
May 1948 .....	592.5	126.5	1,129.9	167.0	1,296.6
Sept. 1948 .....	551.4	58.0	1,062.4	296.8	1,359.2

Among the vessels under operation in September 1948, 393 ships of 1,113,000 gross tons are employed in freight transportation. Their monthly turn round is 1.2 per D/W, hauling 1,200,000 tons of freight a month which record is considered good under the present shipping condition since the maximum is 1,359,000 tons.

#### Ships Available for Operation

Ships in use for freight .....	393	717,000 G/T
Ships in use for repatriates .....	30	135,000 G/T
Ships under minor repair .....	51	91,000 G/T
Ships lent .....	36	43,000 G/T

Supposing we are to be allowed the 1930—1932 level of living standard, we are of the opinion that a minimum of 4,000,000 to 4,500,000 gross tons of vessels would be necessary. And yet, supposing we were allowed the 4,000,000 tons, considerable time would elapse before we could reach that goal. It would take us 10 years even if we built 400,000 tons annually. By 1946, the 1,359,000 tons of vessels, of which 432,000 tons are ordinary ships and 927,000 tons wartime standard ships, now in operation are old. Furthermore, the unsettled problems of reparation as it affects large ships and the number of



## Japan's Petroleum Industry

Japan lacks petroleum resources; but in the consumption of petroleum products her prewar needs amounted to some 4 million kiloliters each year. This was due mainly to the development of motor transportation and the widespread use of petroleum by shipping following the growth of her industrial structure. Domestic (Japan Proper) production of petroleum stood at 300,000 kiloliters a year and barely sufficed to meet one tenth of the requirement. The petroleum industry in postwar Japan, depending heavily on foreign capital and oil, is struggling to make a recovery. But this implies the advance of foreign oil companies into the Japanese market.

Of the oil imports, the United States supplied about 80 per cent. Japan's Pacific seaboard refineries are, therefore, designed for the processing of California crude. There were also large imports from the Netherlands East Indies; and, because of the possession of oil rights, high grade petroleum was obtained from Northern Saghalien.

### Supply of Crude Oil

(In 1,000 kiloliters)

Year	Domestic Production	Imports
1931	332	616
1934	296	1,200
1935	364	1,340
1937	401	2,326
1939	383	1,746
1940	346	2,091
1941	316	694
1947	203	—

ships Japan may possess have greatly contributed to the lowering of ship-building enthusiasm.

Present cost of shipbuilding is ¥80,000 per ton, so the building of a 3,000-ton freighter would cost over ¥200,000,000. And to build 400,000 tons annually ¥24,000,000,000 are needed which is 25% of the total industrial fund for all business this year. So there is no prospect to bring such an amount into the shipbuilding industry.

There being no shipping company whose net worth exceeds ¥100,000,000, new ships have to be constructed by loan from banks. A company must raise the loan of ¥28,000 per ton in building a ship. Thus, it is unavoidable for a shipping company to build a new ship without incurring heavy indebtedness.

All of the Japanese shipping companies have suffered the loss of many vessels during the war and under the Reorganization and Adjustment Law they have to liquidate all such losses. Some companies have to cut their capital 90% and some have dissolved due to their huge losses. N.Y.K. (Nippon Yusen Kaisha), one of the representative shipping firms in this country, has to reduce their capital 60%.

### Supply of Petroleum Products

Year	Domestic Refining	Imports
1931	660	1,664
1934	1,220	2,299
1935	1,427	2,860
1937	1,950	3,297
1939	1,782	1,680
1940	1,448	2,191
1941	1,533	663
1947	148	1,169

As for imports during the war years, there was a decline in refinery products in the years previous to the outbreak of the conflict followed by a sharp drop in crude after 1940. The occupation of the Netherlands East Indies brought abundant resources under Japanese control, but local requisitions were heavy and shipments to Japan small. With the Surrender, all importation ceased; and until 1946 when United States aid began to bring in oil, Japan's needs were met by wartime stocks of crude oil and oil products. Today, a supply of some 2 million kiloliters a year is being secured through imports from America and through domestic production.

### Petroleum Consumption

(In 1,000 kiloliters)

Year	Gasoline	Fuel Oil	Total (including others)
1931	616	1,265	2,373
1934	871	1,793	3,308
1935	1,025	2,381	3,954
1937	1,301	3,046	5,003
1939	760	1,976	3,493
1940	728	1,969	3,371
1941	439	1,394	2,333
1946	157	381	750

In Japan's prewar petroleum market were two large foreign firms. More than 90 per cent of the requirements was imported. The two were: the Rising Sun Petroleum Company and the Standard Vacuum Oil Company. The former is a subsidiary of the Royal Dutch Shell, a Rothschild concern, while the latter is controlled by the Rockefeller interests: both giants in the international oil business. Japanese firms handling imports were: Mitsui Bussan, Mitsubishi Shoji, Asano Bussan and others.

When Japan began preparing for war, the policy of fostering domestic production was adopted; and with the enactment of the Petroleum Industry Law in 1934, a limit was placed upon the volume of petroleum imported by non-Japanese. This gave great impetus to the growth of the domestic petroleum industry, as will be apparent from the spurt in production since 1935. However, no matter how much stress is laid on domestic oil, there are limits to resources. Moreover, in the refining field, there was the inability to produce the high-grade products required by the armed forces. Importation of American refining equipment became difficult later and after the outbreak of the War and the virtual stoppage of imports, Japan had to rely solely upon

local requisitioning and intensified refining of home produced crude. This brought about an oil boom and the mushrooming of some 40 odd petroleum enterprises, but the national policy which called for concentrated production brought about drastic adjustments and the birth of the state-controlled Teikoku Sekiyu for the development of oil resources regardless of cost. This had to be done because the oil companies which hitherto had been covering their oil-tapping losses by profits made in refining were no longer able to expand well-digging activities.

In oil-field operations, Nihon Sekiyu, Nihon Kogyo, Asahi Sekiyu and others were merged to form the Teikoku Sekiyu; while seven smaller firms were combined to make the Daido Sekiyu. In the refining sphere, Ogura Sekiyu and Aikoku Sekiyu were merged with Nihon Sekiyu; Maruzen amalgamated Toyo; Hayama, Niitsu and Asahi combined to form Showa Sekiyu; Edogawa and other smaller firms made up Taikyo Sekiyu; while Mitsubishi Sekiyu, partly owned by foreign interests, Toa Nenryo, established with capital jointly furnished by the various companies for production of aviation gasoline and lubricants, and the Military-backed Koa Sekiyu and Nihon Kogyo (Funakawa Refinery) remain as entities today.

### Postwar conditions

Although the Teikoku Sekiyu is a near-monopoly concern producing nearly 90 per cent of domestic petroleum, the confusion resulting from the defeat reduced output. Whereas 223,000 kiloliters were produced during the 1945 fiscal year (April, 1945 through March, 1946), the following twelve months saw only 195,000 kiloliters brought out. The output further declined to 189,000 kiloliters in fiscal 1947; and although the figure for fiscal 1948 is not yet clear, only some 150,000 or 160,000 kiloliters are expected. Thus there has been a steady fall in output. The reason for this is the aging of wells and the overmanning caused by the dependence on state subsidies. A 30 per cent reduction in the payroll was effected late last year; and with the importation of exploration equipment from the United States intensified development of oilfields is the plan. The organization will be converted to that of a purely private enterprise.

The overall output of the 1948 calendar year is placed at some 180,000 kiloliters, and indicates decline. The poor showing of Teikoku is the cause; but the firm is undergoing reorganization, and it is believed this year will see a return to the 200,000 kiloliter level. Insofar as petroleum resources have recently gained considerably in value, unexpected progress in development may be witnessed.

Improvements in boring and drilling operations and machinery will be required besides assistance in the forms of subsidies and price supports. The situation depends upon the extent to which Teikoku Sekiyu can be reorganized to function with greater efficiency.



Development of domestic petroleum resources is daily growing in importance. In the Five Year Plan for Economic Rehabilitation there is a definite stress again laid upon the use of fuel oil. With the outbreak of the Pacific War, fuel oil was substituted by coal in many plants, this causing a jump of some 300,000 or 400,000 tons a month in the demand for coal. However, there are many applications in which the use of fuel oil is more efficient than coal. Therefore, there will be considerable revival of oil burners. In connection with the 9-Point Program for Economic Stabilization, increased output of domestic petroleum is necessary.

After the war, Japan's Pacific seaboard refineries operated for a short while on leftover stocks that were available, but with the cessation of imports and in accordance with the GHQ directive of September, 1946, they closed down and have not been reopened. Thus companies such as Maruzen, Toa Nenryo Kogyo, Koa and Taikyo, which possess plants only on the Pacific seaboard are standing idle, with Maruzen and Taikyo manufacturing grease. The partly foreign-owned Mitsubishi Sekiyu lost its Kawasaki refinery installation through war damage and is now renting its remaining storage tanks to the Japan Oil Storage Company (JOSCO), a sole agent for the Occupation Forces.

**Annual refining capacity, before and after the War.**

		(In 1,000 kiloliters)	
		Oil-Producing	
		Northern Pacific	
		Japan Seaboard	
Prewar	.....	802.8	3,071.4
	Rated	584.4	1,619.4
Postwar	.....		
	Operating	504.0	717.0

**Operable Refining Capacity by Companies**

		(In 1,000 kiloliters)	
		Oil-Producing	
		Northern Pacific	
		Japan Seaboard	
Nihon Sekiyu	....	276.0	330.0
Showa Sekiyu	....	84.0	102.0
Nihon Kogyo	....	144.0	—
Maruzen Sekiyu	....	—	160.2
Toa Nenryo Kogyo	....	—	90.0
Taikyo Sekiyu	....	—	66.0
Koa Sekiyu	....	—	28.8
Total	.....	504.0	717.0

Against the current consumption of some 2 million kiloliters, total operable capacity is barely over half, at 1.2 million kiloliters. But the shortage of crude oil prevents full utilization of even this insufficient capacity, with the Pacific seaboard plants closed down and Northern Japan refineries operating at a low rate. Current allocations of domestic crude are made at 50 per cent to Nihon Sekiyu, and 25 per cent each to Showa and Nihon Kogyo. Nihon Sekiyu receives roughly 90,000 kiloliters, while the others get 45,000 each. Even in the oil-producing area, refining capacity is utilized only 30 per cent by Nihon Sekiyu, 50 per cent by Showa, and 30 per cent by Nihon Kogyo. This alone is sufficient to show that

importation of crude oil is absolutely necessary from the standpoint of the private operators.

Oil refineries were listed for reparations removal by the postwar Pauley Report; while the Strike report went so far as to state that it might be better to abolish refineries altogether and ship Japanese crude say to the Netherlands East Indies for refining. These plans may have something to do with the shutting down of the Pacific seaboard refineries and the difficulties in obtaining imports of crude oil. But the international situation has since been changing. The Strike plan in particular is inadequate not only from the technical but also from the economical standpoint.

The present imports of petroleum and its products are being effected by virtue of the GARIOA fund which is part of United States Army appropriations. In fiscal 1947 the payments for petroleum to Japan amounted to \$38 million, and the sum will be some \$90 million in fiscal 1949. Moreover, transportation costs are not included because the present mode of transaction calls for releases of Army supplies at Japanese port of importation. (If shipping charges are included it will be necessary to earmark some \$100 million or more for the purchase of 2 million kiloliters per annum.)

This burden on the United States taxpayers could be reduced if, instead of importing refined products, crude oil could be brought in for refining at idle plants. The Japanese Government plans to import annually some 600,000 kiloliters of crude and has been petitioning SCAP for due authorization.

Sales agreements may then be concluded with foreign oil business regarding the pricing of imported petroleum and products, and Japanese companies may offer the use of their sales organization. Recently, there have been developments in this direction, particularly following the authorization granted last year to Rising Sun, Standard Oil and Caltex to conduct business in Japan and SCAP directive ordering the return to private hands of distribution facilities. Inasmuch as the Oil Distribution Corporation (Sekiyu Haikyū Kodan) is scheduled for dissolution at the end of March and it is likely that coupon selling of petroleum products by private enterprise will be realized, joint operation with foreign firms will start with sales. However, unless there is established a direct linkage between the yen and the dollar, joint enterprise will have but little significance. Because of the lack of dollar funds petroleum products will continue to be bought with GARIOA. Therefore, if it becomes possible for foreign and Japanese enterprises to join hands it will only be to the extent that the Japanese will help in the vending of oil released by the Army to foreign companies operating in Japan. In other words, collaboration will be restricted to the yen area; there will be little benefit unless importation of petroleum products is excluded from GARIOA shipments.

Another method of joint enterprise involves the importation of crude oil, and this may take place in a number of different ways. One would be the importing of crude for processing at Japanese plants where foreign capital is invested; another would be the selling or leasing of refining facilities in exchange for imports of oil. Crude oil will be imported in the near future by an agreement between Nihon Sekiyu and Caltex subject to SCAP approval. The arrangement is that the Japanese firm will pay for the oil by selling its Tsurumi tank facilities to the American company. The contract is to cover some 20,000 kiloliters of crude petroleum. Yet another way would be the purchasing of crude on the basis of credits obtained, either government or private. The former could be effected by the changing of some of the GARIOA petroleum products to crude oil, while the latter would be arranged by private petroleum interests. The loans would be redeemed in dollars obtained from the sale of refined products.

Seen from the foreign point of view, investments in Japan's oil industry can be roughly classified as follows:—

1. Establishment by foreign companies of refineries in Japan, or their development and exploitation of Japanese oil-fields.
2. Utilization of Japanese facilities by foreign oil companies.
3. The third form of investment calls for the importation of petroleum products by foreign firms and the extension of various forms of aid to Japanese oil enterprises. However, insofar as the bottleneck of dollar funds exists there will be considerable difficulty with this method.

Whatever the form, however, Japanese petroleum enterprises will have to make strenuous efforts to obtain supplies of crude oil; otherwise there is no way in which they could survive. Such being the case, their position is weak. There may be considerable competition among foreign firms, but this is nothing compared with the struggle going on among Japanese companies. The industry is lacking in leadership because of the purge of the former top-ranking executives. On the other hand, foreign oilmen are experienced and able hands at the game of international business deals, supplying more than 90 per cent of Japan's petroleum needs. Will Japan's oil industry, which during the War was one of the star performers and which with the Surrender fell into bad times, ever regain the prosperity of past days through foreign capital and the changes in the world situation? Great interest is now concentrated upon the industry which, as one of the first to establish contact for obtaining financial aid from abroad, will be looked upon as a test by Japan's economic circles so eager for foreign assistance.



## The Formosan Emancipation Movement

(By a Formosan Correspondent)

### Formosa and the Western Pacific

Formosa and the Pescadores, with 35,900 square kilometers area and 6,500,000 population lie midway between Manila and Okinawa, and also halfway from Singapore to Tokyo, guarding the Formosan Channel with the Pescadores in the West and the Western Pacific Ocean in the East. Along the West Pacific, in the North of Formosa there is a long chain of islands, starting with the Ryukyu islands to the North of Hokkaido, and in the South also another chain of islands of almost equal length, extending from Luzon to Indonesia: In the Northern group, adding Korea, we have more than 100,000,000 people living in these islands, and in the Southern group there are also almost an equal number of people. If these two form the two wings of a bird, Formosa is the heart; if they are the two axles of a wheel, she is the pivot. Thus, Formosa, since the 16th century, had been a place of the Western Seapowers' rivalry, first between the Portuguese and Spaniards, and then the Spaniards and Dutch. She has been a strong base of the Chinese Ming Loyalists under Koxinga for a short period in the 17th century, but fell to the Manchu Empire for more than two centuries. Then she became a colony of the Japanese Empire from 1895 until 1945, which, according to the Agreements of Cairo Conference, came under the temporary occupation of the Chinese National Government pending the final decision of the peace treaty with Japan.

The administration of the Chinese National Government in Formosa in the past 3½ years has proved to be as corrupt and inept as her own management on the continent, which is probably the main reason for the overwhelming victory gained by the

Chinese communists. For the Chinese people there is now no alternative, but for the Formosans an independent Formosa happens to be their ideal; for neither the colonial status under the Chinese Nationalists nor the totalitarian regime of the communists are welcomed by Formosams.

The Chinese are aliens to Formosans; instead of improving Formosans' livelihood, they have ruined the social and economic foundations in Formosa; they have proved to be too egoistic to practise anything of public interest and welfare.

Socially speaking, in Formosa there is a good foundation of civil training, organisation, and mass-education. The strength of Formosa is actually in the towns and big villages; approximately 300 of them, each consisting of between 10,000 to 30,000 population, having their own history and tradition for a few hundred years. The inhabitants in those places are largely farmer, small landlords, and middle-class merchants. These are the social back-bone of Formosa. It is by Formosans themselves only, certainly not by Chinese, to revive the social strength in Formosa, to re-organize their own people to struggle for the common cause. It is also by Formosans that the present mass-unemployment of over half million, can be solved. For in the Chinese administration, mass-unemployment has never been considered as a government, public, or social problem by Chinese.

Economically, Formosa has both kinetic and potential productivity. Formosa produced over 10,000,000 piculs of rice annually, three times more than consumed; 1,400,000 tons of sugar; 18,000,000 catties of tea a year; 95% of the world total production of natural camphor, mostly for export, and generated over 300,000 kilo-watts of electric water-power. The central

ranges are covered with enormous woods and bamboo forests. Along the West coast there is a limitless resource of salt to be gained by the solar-process. In the near-sea there are all kinds of marine products. The coal, gold, and copper mines are scattered in the Northern part, while petroleum and natural gases are found in the central and Southern districts. The modern or semimodern highways in Formosa are greater in its total length than the whole of China. However, all these have been at a standstill or paralyzed since the taking-over by the Chinese after the war.

If the security of the West Pacific is to be preserved, a prosperous Formosa is essential. A prosperous Formosa needs a democratic government of its own. A peaceful Pacific presupposes a stable Formosa. A stable Formosa can only emerge by the creation of a Formosan Democratic Republic.

### Fundamental National Policies after Formosa's Re-Emancipation

After the Second World War, there was a rise in the general movement for independence and emancipation among the colonial peoples in the Far East and South East Asia. For over 300 years Formosa has been at first the Manchu's colony, and then Japan's, but 3½ years ago, it seemed to the Formosans that at last they would be emancipated from their colonial status. However the facts in the recent past have proved that once again Formosans have met a ruthless, reactionary Chinese Nationalist exploitation administration. Looking back at Formosa's history, Formosans were never fully subjected by the Manchu's bad government, they hated Japan's iron-handed administration, and now they resist the tyrannous Chinese regime.

There is a strong movement in Formosa aiming at the salvation and emancipation of the Island. What is now needed is outlined below:—



## Ramie — The Oldest and Strongest Textile Fiber

(Special to the "Far Eastern Economic Review")

Ramie or Rhea, the stingless nettle of several varieties of the genus 'Boehmeria,' is almost closely related to the stingy nettle genus 'Urticaceae' in general appearance except with the absence of stingy hair. It was so common in China that it was called China Grass. Some confusion has been caused by the terms Ramie, Rhea, and China-grass used indiscriminately in the commercial market. In general, ramie is the name derived from Malayan origin and is used by the English-speaking people for the plant 'Boehmeria nivea' grown in China and Formosa, with leaves green on the upper surface and white on the back, as well as for the fiber obtained from the plant. The plant and fiber of East Indian or Malayan origin is a tropical form and belongs to the genus 'Boehmeria tenacissima,' with leaves green on both sides. Rhea is the name derived from India and denotes both forms, in particular the one with white leaves on the back. China-grass is the name used for the hand decorticated but un-degummed fiber which has been incorrectly applied to the plant. In the London fiber market, the name of ramie was formerly used to denote the fiber from China

origin, while rhea for fibers from other countries.

Ramie has been grown commercially in China for over four thousand years. It was the principal fiber used for the making of China-grass cloth at about the same time when silk was obtained from silk-worms. Ancient history recorded that Chinese farmers enjoyed their old days by "chattering along ramie plants" and under the shade of mulberry trees. The plant grows all year round. It takes three years for the first harvestable crop, if grown from seedlings, but after that the only cultivation problem is to cut the stalks three times a year during May-June, August-September and November-December. The stalks shoot up fast from the root stock underground.

### Properties and Uses

The fiber possesses some very valuable properties; it is the strongest of textile fibers yet known. Its tensile strength is almost equivalent to that of mild steel. A fiber no thicker than an ordinary pin cannot be broken by hand when stripped from the natural stalk. It is 35% stronger than flax; three times stronger than hemp; seven times stronger than wool; and eight times stronger than cotton or silk. The length of individual filament is about 12 to 16 inches and the weight of one pound of fiber could be extended to a distance of 50,400 yards from end to end. The degummed fiber equals some kinds of silk in brilliance. Its lustre is almost equivalent to that of mercerized cotton but not as shining as rayon. Ramie resists atmospheric changes and freedom from shrinkage. It is not affected by moisture as characterized by its resistance to mildew and rot. Since the staple varies considerably from 12 to 16 inches in length, it is very cumbersome during the process of spinning. It is impossible to make perfect yarns with such a wide variation in staple. Therefore it is necessary to separate the fibers into suitable groups of lengths or to cut them into uniform lengths.

First, mentally Formosans need a thorough reform. During the past 3½ years, under the feudalistic Chinese Government, Formosa became full of garbage in every corner; Japan's iron-curtain was replaced by the Chinese steel-curtain; corruption coupled with embezzlement; nepotism accompanied by despotism; under the rule of "face"-value and oppression there is now no justice in Formosa. But Formosans desire peace and order! Therefore the garbage of reactionary feudalism must be cleaned out; the farmers must be enabled to own their own land; the labourers must have their voices heard in the management of their factories; the intelligentsia must be allowed to hold their respective positions; the soldiers must be well-fed; the brave and able men must be encouraged to do responsible work.

Second, the nation must strive for economic recovery. The colonial maladministration in the past 300 years made the Formosans economically backward, and, in addition the recent misgovernment have pushed them to the verge of bankruptcy. Formosa is rich in natural resources, and has good agricultural and industrial foundations, and an efficient communication system. However everything produced in Formosa has been exploited by the conquerors. The Formosan national wealth had been concentrated in the "Japanese Property" (now "Government Property"). Agricultural land should now be distributed to the farmers; industries should be nationally owned and managed by the civilians.

chemical compounds can be prepared from the gums extracted from the fiber.

The chemical composition of the decorticated fiber varies according to the sources of origin and to the extent of preparation of the fiber. In general, it contains 66% pure cellulose, 10.15% water content, 12.7% gums, and 0.59% fat and wax. It yields 10.34% water extract and 5.63% ash. While the degummed fiber, which is obtained by digestion of the fiber in alkaline solution, is practically pure cellulose, and identical in composition with bleached cotton or linen.

### Cultivation of Ramie

In order to raise a good crop proper attention must be given to the choice of ground and to the planting.

#### (a) Choice of Ground:—

The proper growth of ramie is closely related to the nature of soil, location and amount of rainfall. The plant thrives best on properly drained soil which is rich in nitrogenous matter. The ground should not be too dry nor too wet. There is an old saying of the Chinese farmer, "ground for ramie planting should not be too low in order to avoid the accumulation of rain water." Since low and wet ground is not suitable to support its growth, sloping land is prepared. Otherwise difficulty on drainage will be encountered which result in low growth and deteriorating of the root-stock underground. Therefore waste hilly land which is not suitable for raising paddy is ideal for ramie planting. However sufficient quantity of fertilizers must be applied to obtain maximum yield. Attention should be given to the direction of field when planting. If the plant is attacked by storm during the process of growth before harvesting so that stalks may be torn by the force of wind, difficulty will be encountered later upon decortication and consequently the yield will be reduced and quality likewise impaired. Therefore the ground should either face South or East with hilly or higher level behind to protect the plant from wind. Sufficient rainfall is necessary for its growth. However excessive rainfall and insufficient sunshine will retard its growth.

#### (b) Planting:

The stalk of the plant shoots up fast, which attains a height from 3 to 8 feet in the course of one to two months. It is grown either from the seeds, cuttings or layers or by division of the roots. When the first two methods are employed, the plant grows too fast and consequently the quality is impaired. Hence the division of roots is the method generally preferred and furthermore the crop can be harvested in the same year. Proper time for planting is around March with the distance between plants from 2 to 2½ feet apart and the depth of soil about one inch. Over or below this depth of soil and distance between plantings fail to turn out good crops. Fertilizers may be ap-



plied either before or after planting. Manures, oil seed cakes or chemical fertilizers may be used to advantage depending on the price and available nitrogen they contain. Planting is best done on good clear days, as that done on rainy days tends to harden the soil upon drying and consequently hinders its growth.

Three crops may be obtained per season, and each crop yielding up to four tons or more of green moist stalks per acre. The yield of decorticated and undegummed fiber is approximately 3% of the green moist stalks after harvesting. In other words total yield of ramie is around 800 lbs. per acre each year.

### Preparation and Extraction of Fiber

When the stalks are ripe, preparation and extraction of fiber is carried out by hand by the following process: removal of leaves; cutting of the stalks; soaking in water; decortication; and drying.

Removal of leaves and small branches is done either by beating the plant with a small bamboo pole or by loosening the leaves downward from top to the bottom of the stalk by hand. The stalk is cut as near to the root as possible with knife. The outer cover or bark is stripped off by hand. To avoid it getting too dry prior to the decortication, the cut stalks are soaked in the running stream instead of in stagnant water in the pond. Decortication is carried out by means of bamboo or steel knife into ribbon form. If a steel knife is used, the edge should not be too sharp otherwise much of the valuable fiber will be stripped off together with the outer bark. The stalk thus stripped contains the bark, the fiber and a large quantity of gummy matter. Decortication is best carried out early in the morning, say 5-6 a.m. If the bark is stripped off the previous night and decortication carried out the following day, fiber thus obtained will lose its lustre. Fiber prepared as such still contains a considerable amount of gum which can only be removed by chemical means.

The moist fiber is now hung over the bamboo pole and dried under the sun in the open air. Fiber so obtained gives a greenish colour and lustre. It is then combed straight by hand before final packing. The hand process of preparation is naturally slow, costly and tedious.

### Smoking of the Fiber

The fresh decorticated undried fiber contains almost 70% moisture. If it is not removed immediately, fermentation sets in due to presence of gummy matter which cause rapid deterioration of the fiber. Unfortunately, during the time of harvesting the first crop, it is the rainy season in South China, which renders the drying under the sun impossible. Long storage in the moist condition tends to weaken the fiber and darken the colour. Therefore drying or rather smoking by artificial means is necessary—either by coal or sulfur.

Drying by direct coal fire, if properly carried out, helps to produce the bright lustre of the fiber and it is the preferred method. However, the process is expensive, as almost one ton of coal is required to dry one ton of ramie. As the ramie market was practically cornered by the Japanese in the past, and the price offered by them was very low, this process was impractical. Farmers therefore adopted the drying or smoking method by burning sulfur.

Smoking is done in a closed clay or brick chamber about 12 feet long, 8 feet wide and 6 feet high. A door is provided in the middle of the chamber for the in-take of moist fiber and the removal of the dried product. On the roof, six round openings about 8 inches in diameter are provided for the exit of moist vapors and sulfur dioxide fumes. A hole about 8 inches deep is dug in the ground for holding the sulfur burner. Above and surrounding the burner, a number of wooden or bamboo racks about 3 feet wide and 2 feet high are provided to hang the moist fiber. The burner is placed in the hole at a suitable distance from the rack to avoid over-heating of the fiber. There is a dugout outside the chamber which leads to the burner inside to facilitate lighting without being suffocated. The fiber is treated in such a manner for one day and two nights. Sulfur dioxide generated from the burning of sulfur at the same time bleaches the fiber. Water vapour and sulfur dioxide fumes are conducted away through six openings on the roof, and the dried and partially bleached fiber is then ready for packing. The amount of sulfur required for every 100 lbs. of fiber varies according to its quality 8 ozs. sulfur for the first grade, 10 ozs. for the second grade and 12 ozs. for the third grade fiber.

### Degumming & Bleaching

After decortication and drying, the first process for preparation of the semi-manufactured product is degumming and bleaching. As ramie contains 12.7% gum and 0.59% fat and wax, in order to obtain pure cellulose for textile purpose, removal of these constituents is necessary. This is usually done by immersing the fiber in a hot solution of caustic potash, caustic soda, ammonia, sodium sulfide or other patented chemicals in a pressure kier, and subject the same to steam pressure or direct fire underneath. Inside the kier, several layers of steel racks or crates with lifting device are provided to facilitate the removal of the hot cooked fiber. It is placed in the steel rack and lowered into the kier which contains a chemical solution of proper concentration. The cap is screwed on tightly and steam turned on from 2 to 6 hours. After this, the cover is unscrewed and the fiber in the rack is lifted out and washed thoroughly with water. In order to remove the last trace of alkaline solution from the fiber, a weak solution of acid is employed to neutralize the same and again it is washed several times. As resistance of ramie fiber toward alkaline is not as strong as that of cotton, care should be

exercised not to use a concentrated solution. In general, it is preferred to use weaker solutions and the process is to be repeated several times until the gum is practically all removed. Fiber thus prepared retains its maximum strength.

It is then bleached by a solution of hydrogen peroxide, sodium peroxide, calcium hypochlorite or other patented bleaching agents. Bleaching process is again preferably done in a weaker concentration and repeated several times and then washed thoroughly with water. Excess water may be removed by a centrifuge or hydro-extractor, and the fiber is then dried under the sun or in a drying chamber. As the process of degumming is more or less a guarded trade secret, different methods are used in different countries. However the general principle is to remove as much of the gum as possible without impairing the strength of the fiber.

After drying the prepared fiber is then passed into fluted rollers so as to render the fiber soft enough for the subsequent preparation such as dressing, roving, wet spinning and doubling, and finally the twisted yarn is passed through a flame to remove the superfluous hairs.

### Methods of Testing

#### (a) Moisture:

Place 100 grams of ramie in a wire-gauze container and then weigh accurately on an ordinary analytical balance until constant weight is obtained. The wire-gauze container and the fiber therein is then placed in an electric or direct fire oven at a temperature of 105 degrees C for exactly 90 minutes. At this temperature and duration, all the moisture contained in the fiber is driven off with gum, fat and wax intact. It is again weighed in the balance. Calculate the loss in weight due to drying over the original weight which gives the percentage of moisture. Since the fiber is hygroscopic and contains 10.15% natural moisture, weighing should be done rapidly. Specification for moisture should not be over 12%. However the maximum allowable moisture is temporarily fixed a 13%.

#### (b) Colour Tests:

A large number of colour tests or reactions have been devised from time to time, but the great majority of them are obsolete. Much stress was laid on these tests in the past, but the following methods if carried simultaneously with microscopic examinations will identify ramie from other fibers.

#### Iodine-Sulfuric Acid Solution Method

Ramie: Blue colouration  
Hemp: From Green to Dark Yellow  
Jute: Dark Brown

#### Cupro-Ammonium Solution

Ramie: Blue colour but fiber will not dissolve in solution  
Hemp: Green colour but fiber dissolves in solution

#### Potassium Ferri-Cyanide Solution

Flax: Golden colour with bluish tint.



### Production & Export

Ramie is cultivated extensively in every part of China except the Manchurian provinces. It has been grown experimentally in most temperate and sub-tropical countries all over the world. The cultivation of ramie is a distinct farm crop in China. The acreage planted varies more or less from year to year depending largely upon economic conditions. The annual acreage under cultivation ranges from 200,000 to 400,000 acres with production from 70,000 to 150,000 long tons, during normal years. The larger part is consumed locally for the manufacture of China-grass cloth, fish nets and ropes. Approximately over 70% is for local use while the quantity for exportation during the best years seldom exceeds 30% of the production. After 8 years of war with Japan (1937-1945) followed by civil war, there are no accurate statistical data either on the acreage planted or the quantity produced, but it is safe to assume that the figures are greatly reduced. Farmers either abandoned their ramie holdings or converted them for raising of the more valuable and indispensable crops of rice etc. Following are the statistical data of areas under cultivation and production in 1936:

#### Area of Ramie Under Cultivation and Production (1936)

Province	Area under Cultivation (in thousand Mows)	Production (in thousand Piculs)
Hunan ....	847	860
Hupeh ....	221	181
Kiangsi ....	111	133
Anhui ....	63	127
Szechuen ....	54	31
Kwangtung ....	150	120
Kwangsi ....	77	14
Fukien ....	50	92
Chekiang ....	54	39
Kweichow ....	12	47
Yunnan ....	7	8
Kiangsu ....	11	15
Shantung ....	6	23
Honan ....	27	22
Hopeh ....	16	16
Shansi ....	56	19
Shensi ....	19	15
Sinkiang ....	18	18

1,799 Mows 1,780 Piculs

N.B.: One mow equals one sixth of an Acre  
One Picul is 133.3 lbs. or one long ton is 16.8 Piculs.

Although the commercial cultivation of ramie in China dates back to 2,500 B.C., actual exportation did not commence until 1850. The value of exports from 1850 to 1893 between Hongkong \$500,000 to \$1,500,000. No noticeable progress was made until 1917 when the quantity increased to 30,875 tons valued at \$8.8 million. It further advanced to 31,316 tons valued at \$9 m. in 1918. No improvement was made from 1919-1924 due to general depression after World War I, volume of exports hovered between 19,626 and 26,126. In 1925 was registered export 33,153 tons. The

maximum quantity of 33,516 tons was reached in 1928. In the following years, from 1929 to 1936 exports fluctuated between 17,472 and 30,994 tons valued at \$6 to \$12m. Japan was leading in ramie importation from China, valued at \$7 million, followed by other countries according to the order of importance: Hongkong, \$1 million; Belgium, \$¾ million; France, \$½ million; United Kingdom, \$0.4 million; U.S.A., \$0.1 million; and others, \$½ million. Hongkong re-exported mostly to United Kingdom and continental ports. During the Sino-Japanese hostilities, export was practically at a standstill. According to Chinese Maritime Customs returns, even up to 1947 only 250 tons were exported to United Kingdom, France, Italy, and U.S.A. and none was taken by Japan. However, export began to pick up in 1948, as Japan was again in the market, approximately 2,000 tons were imported by her and other 450 tons went to U.K. and continental ports.

#### Exports of Ramie from China from 1917 to 1936

(in quintals of 100 kilograms)

Year	Quantity
1917 .....	308,747
1918 .....	313,159
1919 .....	236,789
1920 .....	199,414
1921 .....	210,958
1922 .....	218,138
1923 .....	196,259
1924 .....	261,256
1925 .....	331,524
1926 .....	291,041
1927 .....	329,045
1928 .....	335,148
1929 .....	301,230
1930 .....	231,892
1931 .....	295,390
1932 .....	224,562
1933 .....	174,721
1934 .....	242,216
1935 .....	267,324
1936 .....	309,936

Prior to the hostilities, Japan was China's best customer of ramie, but business was almost at a standstill from 1937-1947. Her textile machinery was either scrapped or changed to the production of ammunition and war materials during World War II, and her labour diverted to various war employment. Some of her textile mills were severely damaged by bombings but her industry is now well recovering. In 1948 about 2,500 tons of ramie were imported by Japan from China through Shanghai and Hongkong. There is no question that the trade will be gradually revived as Japan's textile mills are forging ahead.

The price of ramie is according to varieties produced in different localities, the extent of decortication as well as the length of staple. Generally, fiber of longer staple fetches a higher price. Like any other China produce, market conditions are rather erratic. Prices of the same variety and length assortment fluctuate greatly. For example, fair average quality Kwangsi or Szechuen Green Ramie registered HK\$105 at the lowest and HK\$175 the

highest in 1948; while Yuen Kiang White was HK\$110-HK\$165 per picul. Current prices for Szechuen Green HK\$162 and HK\$153 for Yuen Kiang White per picul, ex-godown Hongkong.

In general, fiber of longer staple is required by Europe and U.S.A. while shorter ones go to Japan. Following are some of the particular assortments as specified by importers abroad:

- (1) Length Assortment for Japan
 

20" — 30"	30%
30" — 40"	40%
40" — 50"	30%
- (2) Length Assortment for France
 

24" — 36"	12%
36" — 48"	45%
48" — 60"	36%
60" — 72"	7%
- (3) Length Assortment for U.S.A.
 

30" — 40"	30%
40" — 50"	40%
50" — 60"	30%

Packing: Machine press packed with mat or gunny wrapping either in 224 lbs. or 400 lbs. Bales with approximate measurement per bale of 7 cu. ft. and 12 cu. ft. respectively.

#### Recent Development in U.S.A.

Experimental cultivation of ramie was first introduced in the U.S.A. about 1855, and then spread to Central and South America. Several attempts were made to develop the industry on a large scale but they failed on account of the high labour wage scale for hand decortication in the U.S. which could not compete with the cheap labour of the Orient. Experiments have been conducted along the South Atlantic coast, the Gulf States and California by private concerns, state agricultural experimental stations and U.S. Department of Agriculture. Quite extensive plantings have been made by concerns interested in testing new machinery and new methods of preparation of the fiber but they were unsuccessful. From 1935-1943 the area of the plants under cultivation varied from 100 to 300 acres but only a few tons of fiber were prepared. Then in 1944 a satisfactory decorticating machine was seized when the American Marines invaded a Japanese-held island in the Pacific. This machine was as important to ramie as the cotton gin to cotton. Following its general pattern, engineers of the Sea Island Mills in Florida perfected the Japanese decorticator and now they own the patent rights. Already many million U.S. Dollars have been invested by the United States Sugar Corporation, the Florida Ramie Products, Inc. and Sea Island Mills in Florida. They intend to turn Florida into the ramie center of the world.

The first American company to invest in the new and now very promising ramie industry was the U.S. Sugar Corp.; they were followed by the Florida Ramie Products, Inc. who bought recently an area of 5,000 acres in Florida where they intend to



## Exchange & Financial Markets

### Chinese Currency Markets

Although the state owned and private printing presses in China and even in Hongkong (Chung Hwa Book Co.) are working day and night to produce ever more Central Bank of China notes there continues a severe shortage in this scrip which has led to side-by-side circulation of private cheques, cashier's orders, bank manager's cheques, bank drafts and other kinds of commercial bits of papers accepted everywhere in lieu of the legal tender of the Central Bank. In many parts of China proper, south of the Yangtze, provincial notes, silver coins and provincial bank drafts circulate. As from March 28, the Central Bank in Shanghai has commenced the issue of printed cashier orders in denominations from "gold" yuan 5,000 to 100,000. Against bank notes these various forms of cheques and bank orders suffer a discount of from 20 to 45%; last week's discount in Shanghai was 40%, in Canton 25%, in Swatow 30% etc. The progress of depreciation is best expressed in the daily rate of commercial interest which fluctuated last week from 10% to 18%. The cost of living index in Shanghai was officially computed at 3403 as at March 31; unofficially the COL index was put at 4000 (i.e. 4000 times above the price level of last August 19).

Hongkong rates per 100,000 yuan, highest & lowest, in HK\$:—notes 57—23; TT Canton 34—19½; TT Shanghai 32—20½.

Canton open market rates per HK\$:—spot notes 2460—4f50 yuan, TT Hongkong 2940—5127.

Shanghai open market rates, highest & lowest:—gold per oz 1,062,000—748,000; US notes 22,400—15,000; TT Hongkong 4040—2900 yuan. Exchange Clearance Certificate rate per US\$1 from 13,000 to 19,000, against the open rate 14 to 15% lower. Gold crosses from 48—50; HK crosses from 51 55%.

spend US\$ 1½ million initially. Capital is amply available for the development of ramie planting and spinning. The first articles of clothing have been put on the market in 1948 but so far the reaction of the public is not known. Ramie piece goods and suitings although selling well are as yet not extensively advertised by the industry as the installation of new spinning machinery will take some time before the manufacturers can start mass production.

It is the Japanese invention of ramie fiber decortication which has enabled now the American industry to start out into a new field which holds great promise not only for the domestic but also for foreign markets. Without the events in the last world war the Japanese would still dominate the ramie textile field and, probably, would have perfected their ramie spinning mills. As it is, however, American industrialists are now going ahead with the creation of a new industry which may have revolutionising effects on the natural and synthetic textile industries.

The legal tender in North China, the Chinese People's Bank dollar, remained stable in terms of gold and foreign exchange. The remittance rate quoted by banks in Shanghai per one People's Bank dollar moved from 28 to 35 "gold" yuan but in Tientsin and Peiping the unofficial rate was 50 "gold" yuan. The Tientsin market quoted US\$1 at 500 P.B. dollar and HK\$ at a cross of about 530. At the end of last February, when the "gold" yuan conversion was concluded in Peiping and Tientsin, the rate then was P.B.\$1 per GY ("gold" yuan) 10, and PB\$250 per US\$1. At the beginning of April the PB dollar rate depreciated against the US\$ by 50%, or the US\$ appreciated by 100%. However, the GY depreciation during the same period (end of Feb. to beginning of April) was as follows:—from GY 2000 to 3000 end of Feb. per US\$1, the rate went to 22,400 by the end of last week (and 25,000 at the opening of the current week); the US\$ appreciated accordingly by 1000%, and the GY depreciated against the People's Bank dollar 400%. While civil war operations continue, though at present a short period of lull has set in, the depreciation of the People's Bank dollar is inevitable but its speed is insignificant compared to the crash of the "gold" yuan. Commodity prices in Tientsin and Peiping, since mid-February, have—what is more important than the decline in the unofficial market exchange rate for US\$—not increased and in many items there have been recorded reductions (especially essential household and staple food articles).

### FINANCIAL REPORT FROM FORMOSA

(From our Formosan Correspondent)

The most critical problem in Formosa is the process of economic bankruptcy. Stagnation of production, unemployment, and inflation are the main phenomena which follow this course, however, inflation is the most fatal above all. It is beyond the people's comprehension that in Formosa which did not suffer great damage, nor incur financial debts during the war, there should continue without pause this vicious inflation. After the monetary "reform" of the Chinese national currency to the "Gold" Yuan on August 19, 1948, the situation became worse, and what little confidence there had been, was lost. One cannot get the latest figure of the Formosan dollar circulation because recently the issue of banknotes was flood-like and even the manager of the Bank of Taiwan does not know it accurately. The amount of banknotes issued was 1,652 millions Taiwan Currency at the end of August 1945, which increased to 5,531 millions in December 1946, to 29,042 millions in December 1947, and to 60,000 millions in August 1948. At present, though it is not published, the amount is estimated at 400,000 millions including 140,000 millions of bankdrafts which are circulating just the same as banknotes. These bankdrafts of Bank

of Taiwan consist of 100,000, 10,000 and 5,000 Taiwan dollars. They are printed like banknotes.

The exchange rate of the "Gold" Yuan to the Taiwan Currency dollar was 1 to 1835 in August 1948, and afterwards in proportion to the devaluation of the "Gold" Yuan, it was changed from time to time till 1: 4 at present, while on black market the rate is no more than 1:2. This indicates that the speed of the devaluation of the "Gold" Yuan was faster than that of the Taiwan Yuan.

### Exchange Rates in Formosa

(in Taiwan dollars per HK\$1 & US\$1)		H.K.\$		U.S.\$
September	1948	....	1,500	7,500
October	1948	....	3,600	19,000
November	1948	....	4,000	22,000
December	1948	....	5,000	27,000
January	1949	....	7,000	38,000
February	1949	....	9,000	47,000
March	1949	....	14,000	73,000

(Crossrates were from HK\$500 to 545 per US\$100).

The Taiwan dollar has been devalued to almost one-tenth of its former value during the last few months. Since the early days of its occupation, the Chinese Government has kept a special money system in Formosa, but always declined to do away with its policy of inflation. Especially, since the Nationalist Government used Formosa as a leading military base in the civil war, commodity prices have been rising violently. For example, the price of rice in Formosa rose from 200 T. dollars a catty to 4,000 within seven months.

On the other hand, the principal cause for inflation is the large amount of credits loaned to the Government enterprises. The Taiwan Sugar Company borrowed 200,000 millions T.\$ mortgaging 400,000 tons of sugar which is presumed to be produced this year, yet it failed to find customers up to this moment. According to experience in the past, the Taiwan Sugar Co. has always borrowed amounts almost equal to the total amount of the issued banknotes at the time, and there has been much secrecy about back payments. To keep these inefficient government enterprises going, the flood of banknotes constantly drenched the financial market, and stimulated the rise of prices.

It is the natural course of inflation that industrial enterprises cease to work and that the continual increase of unemployment threatens the livelihood of the populace. Throughout Formosa's 50 years under the Japanese there never was any period of financial instability and monetary inflation was unknown. All businessmen and manufacturers in the Island have repeatedly requested the Provincial authorities to abandon their policy of depreciating the Taiwan dollar by excess printing and granting of uneconomic loans to privileged enterprises. Last December 28, the Taiwan Provincial Council, in almost a rebellious mood, passed a bill which should have separated the Taiwan dollar



from the "gold" yuan of Nanking and should have based the Island's money on the US\$. But the bill was vetoed by the Governor who stated that it was against the laws of Nanking. So, until there will be political changes of far-reaching import, the Taiwan dollar must continue on its precarious basis in relationship with the universally discredited "gold" yuan. Popular discontent can be imagined under such conditions and the impoverishment of the Formosans must continue.

### US\$ Market

The local open market offers opportunities for all Far Eastern countries irrespective of controls being in force abroad or in abeyance, and such opportunities have been well grasped by merchants and exchange operators. There is an active interchange between here and Bangkok, Manila and Chinese centres, where open markets are legalised, and such countries like Malaya, Indochina, Indonesia, Burma, India and even Japan where foreign exchange cannot be freely conducted and consequently black markets do business. Hongkong has, of all the Far Eastern free and controlled exchange markets, the largest US\$ and gold business in which, apart from China, many merchants and brokers from Bangkok regularly take part. The free convertibility of HK\$ into TT New York, gold bullion etc. has made the local currency the major medium of exchange in the Far East second only to the US\$ which is, after all, the principal world currency of today. On the free market of Hongkong an average of US\$10 million per month are sold and some 220,000 troy ozs of gold bullion change hands per average month.

Last week's trading was active but overseas Chinese remittances were less in volume than expected and gold importers also placed less orders for TT New York. Overseas Chinese this year have remitted to their families and friends smaller amounts, in the aggregate, which is partly due to previous large remittances and probably less favourable financial conditions of many overseas Chinese. Insistent demand continued for US notes coming mainly from Shanghai and Taiwan. The note price was always leading the TT and DD rates and for big denomination notes a premium of 1½% was paid over the common (10, 20) denominations.

Highest & lowest rates of last week per US\$100: notes HK\$531-523; DD 524½-523; TT 526¼-525¼, equalling crosses of US\$3.04-3.046.

Unofficial sterling rates in Europe and the U.S. have shown further strength during the past month. Most business in free and black markets is conducted at cross rates of around 3.10 to 3.20. New York quoted recently up to 3.30. The principal European open exchange market is now Milan where large amounts of sterling are daily turned over. In Zurich, Amsterdam, Antwerp and Brussels active exchange

markets operate where crossrates from 3.08 to 3.15 were recently recorded. The lowest crossrate was reported from Istanbul at 2.90; but this was not due to any lack of Turkish interest in sterling—on the contrary Turkish merchants are now unable to import goods from Britain since their country's sterling reserve has been exhausted—but it was a result of the heavy demand for TT New York which depressed rates of all other currencies. Sterling has, in fact, become somewhat hard and British exports find now growing resistance abroad; thus Britain is already compelled, taking her cue from America's world-wide emptying of the cornucopia, to make grants and loans in order to keep the flow of merchandise and domestic production unimpaired. ECA has been a success in some countries of western Europe but the disparity between the industrial and the economically backward countries has only been accentuated. As Britain's recovery has become a fact and further progresses at a rate not thought possible by the planners themselves, the problem of selling goods and avoiding of sterling's hardening engages the attention of the British official economists. Meanwhile investments in sterling appear to become more popular the world over.

### Gold Market

Trading and exports were reduced against the previous weeks as demand in China had become calmer. Rates continued practically unchanged but crossrates are too high here (48½-49) considering that overseas supply is amply available at around 44 to 44½. As long as current prices hold and the Macao import duty plus squeeze does not go up, gold imports into Macao should bring more than usual profits. In China, gold quotations came down to 48 and some transactions were effected in Shanghai at only 47½. (Last week's gold cross rates in Shanghai from US\$48-50). Gold imports were heavy in Macao with every other day a plane discharging approx. 30,000 ozs (Matco flying boats from Saigon, TAA from Bangkok). Further substantial orders for early gold shipments have been booked by native banks and bullion dealers; overseas exporters' agents are able to fill almost any order which Hongkong and Macao, on behalf of China and other Far Eastern customers, can place.

Local highest & lowest rates per tael HK\$313½-310¾, crosses US\$48½-49. The week opened at \$311½, closed at 312½. Change over interest in the forward market, always in favour of buyers, fluctuated from 1 ct. to 9 cts. per tael. Total spot sale 25,430 taels (inside the Exchange 8,930 and unofficially 16,500). Imports from Macao about 11,000 taels, exports about 21,000 taels, shipped or otherwise transported to: China 13,000 taels (Canton 6000, Shanghai 5000, Swatow and Amoy each 1000); Formosa 1500; Siam 2500; Singapore 2000; Indochina 2000. The local ornamental trade absorbed over 4,000 taels (much of which goes into crude jewel-

lery which is also exported). Macao stocks are estimated at 100,000 taels, local trading stocks at over 70,000 taels.

Highest & lowest rates in March were \$314½-303¾, a difference of 11¼ or 3½%. Total change over interest favoured buyers, after deducting opposite interest favouring sellers, it resulted in a net profit of \$1.12 per tael.

Gold import licences (per 50,000 or 100,000 ozs each) are issued in Macao in any amount depending only on demand in China. So-called ready made licences cost now between \$7 to 8 per oz. which leaves only a small profit to the gold import controlling organisation especially considering the investment made by them in Macao patacas on which interest must be earned. The Macao Govt. import duty is only 2 patacas per oz but for certain lots 3 patacas are charged as such gold is termed "in transit" (in fact all gold imported into Macao is "in transit," mostly for China and Hongkong).

Free market gold sales continue actively all over the world, supply no longer coming only from new mining output of Latin America (governments and private people) and hoarded stocks in Europe as well as monetary gold stock of various European governments, but also from the Union of South Africa. The big profits in the bullion business are made by the leading international firms who are able to buy from governments and official agencies at prices much below the market level. Larger purchases have recently been made by bullion brokers at US\$41 while sales to China, India, Near East and some eastern European customers can be put through at almost 45 fob port of shipment. China remains the biggest buyer, supplies coming through to Macao and Hongkong.

### Silver Market

Exports this year have run at a weekly average of 100,000 ozs, mostly shipped to London where re-exports of the refined product usually go to New York. For the first 2 months of the current year 817,000 ozs were officially exported and the same amount must have been imported although the official records do not show this. Exports were, in fact, also higher than the officially recorded 817,000 ozs; apart from some silver smuggled out of the Colony to the U.S. (in order to save the 25% of US\$ proceeds which otherwise have to be surrendered at the official exchange rate) there were regular though not very substantial exports of Chinese silver coins to Canton and Shanghai. Imports of silver (mostly in form of bars and ingots) have arrived here mostly from China but recently there have been regular imports also from Korea.

Silver dealers however, in spite of the remarkably high turnover—which should have amounted for the first 2 months to at least 1.7 million ozs—are dissatisfied with the behaviour of the market, meaning of course the relatively low price which has prevailed



for a long time now. When a reputable, or shall we better say, resourceful silver dealer states that "the market is quiet" he means to convey not that the volume of business handled was small but that the profits were insignificant—much trouble for nothing. We think that a weekly average turnover of 200,000 ozs silver (in bars and coins) is quite a credit to the local bullion trade.

Last week's prices were \$4.02 to 4.04 per tael, \$2.68—2.70 per local and Mexican dollar coin, \$3.80—4 per Chinese "big and small head" coins, \$2.20—2.25 per five 20 ct. coins.

Silver coins of all denominations are both circulating in China, especially the rural areas, and are being hoarded by farmers and merchants. The Yunnan Provincial Govt., always rather independent of the Nanking regime, is now coining its own currency, following examples of other provincial governments.

The weak efforts of the Nanking mint to get coins out, mainly for payment of the soldiery, ever more rebellious and in a very defective mood, seem to have come to an end; there is not enough silver in the vaults of the Central Bank and what is put away in Canton and Taiwan is not available for the Nanking "surrender" regime of Li Tsung-jen.

Chinese coins have recently again made their appearance in Hongkong after a period of complete sell-out but all these coins, commanding so high a premium over their silver content, go back to China — Hongkong acting in quite a unique rôle of an entrepot, as far as silver business is concerned.

#### Bank Note Markets

Bank of England notes, selling from \$15.35 to 15.44, are bought by currency exporters and travellers but the local stock is near depletion. As New York paid from US\$3.18 to 3.22 (peak price recently 3.25) it appears a profitable proposition to ship pound notes from here to the U.S. where the equivalents last week were HK\$16½ to 17.

Canadian dollars sold in small volume, from \$4.62—4.67, being against the US\$ at an 11% discount. Australian pound notes quoted from \$12.80 to 13.15, an unusually high price and most profitable for those speculators who laid in a stock at around \$12.70.

### Hongkong Stock & Share Market

The depression continues and appears even to grip larger circles. Shareholders are getting more confused and irritated: in the market all sorts of explanations of the severe slump are offered, usually without satisfying the more intelligent sector but good enough to tide over the empty trading hours. Local brokers and broker-jobbers are downcast and unable to pacify the more irate holders many of whom are, as usual in such moments, ready to dump their possessions on a market where buyers are getting scarcer. There are some explanatory and placatory efforts which tend to put the blame for the slump on other than political causes; they state, for instance, that some companies' capital has been increased which should, at reduced earning power, result in lower dividends for the current year; and then some people who pretend to the possession of inside information allege that profits and consequently dividends of almost all companies here will de-

cline this year. However, the results of the majority of public companies' operations during the first quarter of 1949 are on the same level as last year and there should be no reason to suppose that further working results this year may shrink. In this connection, the Directors of the various public companies in Hongkong must be once again reminded that the public expects that interim reports be made known. To overlook this public demand will breed more dissatisfaction with the management of public companies especially at a time like the present. There are also some market reports which intimate that the lack of confidence in the local shares results, to some extent, from the alleged intention by Government to impose some sort of control over fares and rates charged by public utilities, and that there may be introduced a ceiling on dividend payments. Such reports are groundless. Government has last year inquired with utility firms with regard to rates charged but there has never been any indication that there is to be a control over appropriation of profits.

Indian rupees which recovered to \$117½ a short while ago, quoted last week at first 115½ but then lost every day until they reached \$105, a loss of 8¼% in one week. Fresh arrivals of rupee notes, from Karachi and eastern Pakistan, caused the decline; this spate of rupee ups and downs is somewhat annoying to the New Delhi authorities.

Burmese and Ceylonese rupees quoted respectively \$70/72 and \$100.

Malayan dollars were neglected at \$180 to 180½.

Piastre rates, from \$9.55 to 10.03½, lost some 5% against the previous week as speculators were diffident about the early improvement in the Indochina over-all situation. The recent Franco-Bao Dai agreement looks to them like a washout; the intrepid Ho Chi Minh remains as hostile as ever and there is rumouring about assistance given him by the Chinese from Yunnan. On the other hand, the technical position became unsound when large parcels of piastre notes were brought here from Kunming and by Kwangsi merchants. There is furthermore some advance in the piastre inflation noticeable.

Baht notes quoted at \$24 and there was little interest in this counter.

Nica guilders remain low at \$32.60—32.9 with no prospects for an improvement in the near future.

The fact, although an unpleasant one particularly in its wider implications, is that many investors here have been scared into selling as a result of the political changes in China. The victory of Communism in the larger parts of China is all but complete and the establishment of a Communist sponsored democratic coalition government in China proper is expected shortly. The vast majority of the Chinese people welcome the new regime and there is evident all over China a new spirit which may bring about the elevation of backward China into a more productive nation. But the local share market seems to look at recent developments in China with great concern taking a gloomy view. Instead of being relieved that now the prospects of peace in China are better than at any time since the civil war started, that commerce and industry may slowly return to prewar levels and that the chaos which is China of today will give way to some semblance of order, the predominant view here is that the "reds" are up to some sinister attempt at

### HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

February	Gold per tael		Silver per tael	Per One Hundred Thousand Notes				Chinese Yuan T.T. Canton		U.S. Dollar T.T. New York			
	High	Low		High	Low	High	Low	Note	Draft	High	Low		
March													
23	312¼	310¾	4.04	44	32	32	29¾	30½	27	5.27	5.23	5.25¾	5.25¼
29	312¼	311	4.04	50	41	31	30¼	33	31	5.26	5.23	5.25¾	5.25½
30	313¼	311¼	4.04	57	48½	28¾	27¼	34	30¼	5.26	5.24	5.26	5.25½
31	313½	312¼	4.03	47	39	27	24	31½	30	5.26	5.24	5.26¼	5.25¾
April													
1	313½	311½	4.03	37	27½	21¾	21¼	23½	22	5.27	5.24	5.26	5.25¾
2	313	311½	4.02	27½	23	21¼	20½	23	19½	5.31	5.24	5.25¾	5.25¼



troubling Hongkong and harming its trade and prosperity. No reason for such fears are given, no facts can be cited in support of the anticipation that at a not too distant time the then "red" authorities of Canton will try to interfere with Hongkong; just feelings of uneasiness and pain at the collapse of the corrupt rule of the Kuomintang. It appears from the performance of the share market that local investors would have preferred the continuation of the KMT depredations and that they deplore the rise of a new China.

As the local market is controlled by a relatively few company directors and shareholders their attitude determines the price situation. The narrowness of the market and limited number of investors interested in shares of local companies are characteristic of Hongkong; although the management of companies is along conservative lines and the interests of the holders were usually well taken care of, the fact remains that the control of the business of companies and the disposition of profits is entirely in the hands of few individuals, usually with an interest in more than 3 or 4 companies. In a slump like the present it would appear to be up to the controlling financial interests to introduce some measure of stability—but nothing has been done. The declines, week after week, have created almost a feeling of panic among many shareholders and there is no sign for a change of the tide which has swept away fortunes, and the savings of so many small investors. The "red" bogey has done it. But what is one man's loss must be another's gain; and so it continues today.

**Volume of Business:**—Total sales reported amounted to 92,492 shares of an approximate value of \$1½ million, an increase of \$½ million compared with the preceding week.

**Price Index:**—The Felix Ellis averages based on the closing prices of twelve active representative local stocks lost 1.03 to close at 131.05, the lowest since Feb. 28, 1947. The year's high of 138.37 was reached on February 4th 1949 since when the price Index has lost 7.32 which represents an average decline of approximately 20% in market values. Day by day his averages were Mar. 28, 131.62, Mar. 29, 131.54; Mar. 30, 131.31; Mar. 31, 131.28; Apr. 1, 131.05:

	High	Low
1947 .. .. .	155.82	123.88
1948 .. .. .	148.68	134.05
1949 .. .. .	138.37	131.05

**Business Done:**—H.K. Govt. Loans: H.K. Govt 3½% (1948) @ 102½, H.K. Govt. 4% @ 102½.

Banks: H.K. Banks @ 1725, 1713, 1720; Bank of East Asia @ 137.

Insurance: Unions @ 700, 690; China Underwriters @ 6.

Shipping: Asia Nav: 80 cts.

## Hongkong Commercial Markets

### Trade with Germany

Strong interest for an early expansion of trade between the Far East, through the entrepot of Hongkong, and Germany's trizone has been shown by an increasing number of merchants. So far, German traders cannot establish themselves here pending the normalisation of relations between the ex-bel-ligerents. Many Chinese firms, previously in close contact with German business or former employees of old German mercantile houses in China, are doing the larger share of this trade; Swiss and other European firms are also active in business with Western Germany. The volume of business is restricted by the fact that Germany (the trizone) is a hard currency area by virtue of the U.S. grants and monetary assistance to the rehabilitation of post-war Germany. Thus importers of goods into Germany are favoured by obtaining US\$ or credits in Deutsche Mark convertible into TT New York for approved commercial transactions but exporters of German merchandise find difficulty in securing the only acceptable exchange proceeds: US\$.

Local importers will only obtain from Hongkong Exchange Control a sterling transfer on Germany if the goods to be imported can qualify as essentials, and even then the scarcity of US\$ in London will not permit of large shipments. Importers here are therefore compelled to finance their German goods by buying in the local open exchange market US notes and drafts, pay them into local authorised banks and thus securing an import permit from Government. The full amount of the German import value has to be paid up which is additionally increasing the cost of German goods here (the open market premium for US\$ over the official rate is approx. 30%). Prospective importers can however also purchase from exporters their German credits but the premium is about the same as on the open exchange market. Demand for US\$ on account of financing of German imports

**Docks & Godowns:** H.K. & K. Wharves (Old) @ 117½; North Point Wharves @ 6½; S'hai Docks @ 8, 9½; Wheellocks @ 28½, 30, 30¼.

**Hotels & Lands:** H.K. Hotels @ 12.40, 12½, 12.40, 12½; Lands @ 56, 55½; S'hai Lands @ 2.70, 2.85, 2.90, 2.95, 3, 3.10, 3.05, 3, 2.95, 2.85; H.K. Realty @ 2.05.

**Utilities:** H.K. Trams @ 17.70, 13, 18.20, 18, 17.90; China Lights (Old) @ 13.70, 13½, 13.70, 13¾, 13.80, 14, 13.90, 13.70, 13.80, 13.85, 13.80 and (New) @ 9.40, 9½, 9.70, 9.80, 9.90, 10, 9.80; H.K. Electrics @ 33, 33½, 34; Macao Electrics @ 26½, 26; Telephones @ 27, 27½, 28, 28¼.

**Industrials:** Cements @ 31, 31½, 32, 31½, 31, 30¾; H.K. Ropes @ 16; Dairy Farm (Old) @ 39, 39½, 38, 37 and (New) @ 38¾, 36, 35½; Watsons @ 49, 48, 47½, 47, 46½.

**Cottons:** Ewos @ 7.20, 7.10, 7½, 7.80, 8.20, 8, 7.90.

should further strengthen the local unofficial TT New York quotation.

At the present moment Germany buys large quantities of China produce and many orders are coming in regularly, especially for minerals and ores, tung oil and edible oils, feathers etc. Germany's trade with Hongkong in 1948 resulted in imports valued at \$4.5 million, and exports at \$4.9 m. In the first 2 months of 1949 imports from Germany valued \$631,000 while exports to Germany valued no less than \$5.1 million. Prewar trade with Germany always showed very high import figures, usually 5 to 5½% of the Colony's total imports, while exports from here to Germany were relatively small, accounting generally for 1% or less. At the moment the trade pattern of Germany is disturbed which must be so as long as the country is not reunited. A heavy export balance will continue in Hongkong's favour; shipments to Germany, being on a US\$ basis, find the same encouragement as exports to the U.S. and other hard currency countries as proceeds "if financed in US\$" are freely retained by exporters (except in case of tung oil, tin, copper, lead, silver, ginger when exporters have to surrender 15% to 25%, except for ginger where 50% of US\$ proceeds have to be sold at the official rate).

It is in the interest of Hongkong's entrepot business to promote trade with Germany; as long as an open exchange market operates here and many other countries (where strict exchange controls are enforced) cannot import from Germany except if US\$ are transferred to Germany, are desirous of obtaining German manufactures from markets where they can pay in sterling—like in Hongkong—the temporary advantage of the present situation should be well appreciated by the local business community. Apart from trade with the Anglo-Franco-American zone of western Germany there is much business to be developed with the Soviet zone of eastern Germany; these new trade avenues deserve to be explored.

### Trade with North China

Regular commercial intercourse with North China is now conducted after the initial and ill-founded apprehensions were dispelled about the procedures and the "attitude" of the Communist authorities of North China and Manchuria. Ships of any flag and traders of any nationality are only too eager to take part in the reopened and probably quite profitable business with North China. After a short period of indecision American business men and shipping firms are active in trading with the supposedly taboo Communists of China—pecunia non olet! The major share of business between Hongkong and the North is, quite naturally, Chinese. Regulations of imports and exports and of ocean communications etc. are to be observed when trading with North China and Manchuria but otherwise there are clear indications



that the new Chinese authorities are anxious to develop trade. The bulk of trade will have to continue on a barter basis until the financial chaos now prevailing all over China gives way to a new order. For the current year local traders can look forward with confidence to an increasing volume of business with North China and Manchuria; for the benefit of the Chinese people and the commerce of the world at large the further expansion and regulation of shipping, aviation, telecommunications, banking & insurance services etc. should be speedily organised.

### Market Reports

#### Beer

A beam of light shone on an otherwise dull market with the news that German beer would be on sale again here, about 1000 cases having arrived. Large bottles were disposed of at \$82 a case (4 dozen bottles), while small sizes fetched \$70 a case (6 dozen bottles). The market is oversupplied with almost any brand of foreign beer and the locally brewed San Miguel which continues to be the public's favourite.

#### Piece Goods

The piece goods market declined with further arrivals from Canton. Some support was forthcoming with buyers from Siam and the Philippines. South African buyers came into the market for drills, but prices showed no sign of improvement. It was reported that direct shipments had been made from Shanghai to Singapore and Siam; also, that Japanese yarns and piece goods were being favourably received in Malaya, Australia, South Africa, the Middle East, and Europe.

Tsin Leung Yuk white cloth after falling to \$39 rose to \$39.20 per piece, camellia white cloth was offered at \$39.10; grey sheetings likewise fell, elephant head brand selling at \$37 per piece, while the better qualities like mammoth bird fell to \$39.50 from the earlier price of \$40.50. Black cloth also declined, double golden tael was offered at \$43.50 but fell to \$43. Yu Tai dropped to \$37.80. Drill, 12 lbs., notwithstanding purchases for Manila, fell by 60 cents per piece; Japanese drill sold at \$40 per piece, and grey sheetings at \$38.50, thus equalling the Shanghai price.

#### Cotton Yarn

The yarn market was heavily overloaded with stocks, which were estimated to amount to over 20,000 bales, 10,000 bales being Chinese Government owned, 8,000 bales in the hands of the Dept. of Supplies and Distribution, and about 3,000 bales in the hands of dealers. Most of the supplies from Shanghai were smuggled and could not be used for export. Over 2,000 bales had been shipped to India direct from Shanghai; the price of 32's had risen from Rs.1450 to Rs.1480 per bale, and of 40's from Rs.1740 to Rs.1780.

Prices in Hongkong were lower, golden star sold at \$1240 per bale, blue phoenix 32's fell to \$1750 and other brands were offered at \$1680. Blue phoenix 40's rose, however, to \$2120 with lack of stock and 42's rose to \$2240.

#### Artificial Silk

The market in artificial silk started well with demands outrunning supply, local mills requiring supplies to complete their orders. Canton was also in the buying market. A large shipment from Japan was welcome, but could not entirely fill requirements. Japanese bridge brand sold at \$4.05 per lb., stocks being low; Italian glazed best quality sold at \$3.45 per lb., medium at \$3.20, unglazed best at \$3 and medium at \$2.80. British artificial silk was reported to be less popular than in other years, on account of its higher price, and less fine quality.

#### Metals

Belgian galvanized mild steel sheets (thin) showed a rise in price, 7ft. advanced to \$11.80, 3 x 6ft. rose to \$9 per picul owing to lack of stock; British sheets dropped, 3 x 7ft. being offered at \$11, 3 x 6ft. at \$8.80. Mild steel round bars were required by buyers from Amoy: 3/6" sold at \$45 per picul, No. 2 1/4" at \$43, No. 2 3/32 at \$38, a drop of from \$1 to \$2 per picul. Japanese zinc sheets fell at first, as a result of inability to secure orders from China, but rose with demands from local factories: G4 was offered at \$142 per picul, G5 at \$132, G6 at \$130, G7 and G8 at \$131; keen competition came from French zinc sheets, Belgian and Polish sheets remained steady. Corrugated steel bars, with heavy stocks on hand, fell: 2/8" were offered at \$40 per picul, 1/2" fell to \$39, 5/8" to 3/4" dropped to \$37, while 7/8" to 1 1/2" sold at \$36. Wire nails met with demands from Siam, 1 1/2" selling at \$53 and 1 1/4" at \$63 per picul; Japanese wire nails 1 1/2" to 3" sold at \$48, but Hongkong local makes were able to compete at \$49; Belgian wire nails fetched \$56, Czechoslovakian \$55, Polish nails were sold at \$52 per picul. Tin Plate cuttings were overstocked with fresh arrivals, selling at \$20 to \$22 per picul. American black tinplates rose with a demand from local factories: G18 to G24 fetched \$43 per picul, 22" x 30" rose to \$48, 20" to 28" was offered at \$45. American hoop wire rose, 3/16" and 1/4" fetched \$45 and \$47, 5/16" to 3/8" rose to \$52 owing to lack of stock, 1/2" to 5/16" sold at \$45 per picul.

#### Chemicals

Demands by Swatow and Amoy buyers for Belgian sulphate of ammonia, created an active market, sales being effected at \$53 per picul. Korean sulphate of ammonia was short owing to lack of supplies. Italian sulphate of ammonia was booked at \$34 per picul, forward delivery in April being \$475 per short ton; elephant brand sold at \$44; moon brand was in short supply, but forward delivery in May was booked at \$41 for about 5000 bags. Sodium sulphide met with a weak market, the British product falling to \$640 per ton and the American to \$620. Caustic soda, American, 700 lbs., dropped from \$165 per drum to \$155 per drum ex-godown, and 750 lbs. to \$200; I.C.I. brand was sold for \$228. Bicarbonate of ammonium; I.C.I. 1cwt., fell to \$42.50 per drum and American 2 cwt. to \$84, with a lessening of the demand from

aerated water manufacturers. Bleaching powder, British 1 cwt., rose with demands from Canton buyers, over 1000 drums being taken; stocks were practically exhausted, I.C.I. 1 cwt. galvanized drums sold at \$29.50 per lb., black drums at \$22.50. Quebracho extracts fell with the arrival of large shipments; crown brand, with the arrival of about 10,000 bags, falling from \$101 to \$99 per bag and horse head, with 1000 bags arriving, dropped from \$95 to \$93; elephant mimosa remained at \$80.

#### Cement

Cement encountered a rising market, the most favoured makes being Formosa, Indochinese and Japanese. Indochina black and red dragon 1 cwt. and Formosa 1 cwt. all rose to \$6 per bag; Japanese 100 lbs. was sold at \$5.40 per bag, Belgian 1 cwt. was offered at the same price; American red cross brand sold at \$18.30 per bag but fell later to \$18; British and Danish white cement rose, British 375 lbs. being offered at \$65, official price, and \$73 free market rate, while Danish 1 cwt. rose from \$14.70 to \$16.50 per bag with forward bookings at \$270 per ton. The price of the local product remains too high; a reduction should not be long in coming.

#### Paper

The paper market showed a downward tendency, with large shipments from Europe and Japan, and with a slackening of the demand from Korea and North China, after they had absorbed a large quantity of bank note and other kinds of high grade paper. Cellulose papers 36" to 39" fell by \$2 to \$4 per ream, the Belgian product dropped from \$70 per ream to \$65. Newsprint (in roll) 43 lbs. dropped to 32.5 cents per lb., 31" quality sold at 33.5 cents. Newsprint (in ream) fell by about 30 cents a ream. Cigarette papers 20 mm. 6000 m. Ecusta brand (with green line) fell from \$20.50 to \$20 per bobbin, other brands fell by 50 cents or \$1 per bobbin.

#### Glass

The market for glass from Europe was dull, whereas Japanese glass was in demand. Belgian 200 sq. ft. (thick) was offered at \$125 and 18 oz. at \$70 per case, French 200 sq. ft. 18 oz. per case fetched \$68 and 100 sq. ft. \$35. Japanese 100 sq. ft. 18 oz. rose to \$34, 200 sq. ft. fetched \$74, the packing being better suited to buyers from China.

#### China Produce

Large stocks of vegetable oil held in the United States, coupled with considerable shipments from China into Hongkong, led to a slow market. Estimates showed a quantity of 13,420 drums. as sent into Hongkong from February 25 to March 25, made up as follows:— (in drums)

Tungoil 6420; Rapeseed oil 4493; Teaseed oil 1273; Coconut oil 538; Groundnut oil 343; Castor oil 174; Aniseed oil 75; Soyabean oil 87; Palm, Cassia & Peppermint oils 17.

At the opening of the market, Tungoil (with permit) sold at \$110 per picul, without permit \$108, dropping later to \$107 (with permit) and \$106.50 f.o.b.; rapeseed oil fetched \$108, teaseed oil



\$105 per picul. Cassia whole (Shek-on) sold at \$155 per picul. Prices in the United States were low, tungoil being quoted at US 19 cents and aniseed oil at US 68 cents to US 80 cents per lb.; groundnut oil fell to US 12.5 cents per lb. from US 16 cents, and in Europe fetched US\$380 against the previous price of US\$500; coconut oil in America dropped to US\$350 from US\$400, and sales were made at US 13.75 cents per lb.

Gallnuts were steady in the expectation of further shipments from Tientsin, being offered at \$46 per picul, medium quality being sold at \$43.50. Ramie fetched \$162 per picul. French buyers were interested in white hemp, Yuen Kiang, which sold at \$153 per picul.

Bristles were also affected by the prevailing tendency towards lower prices. In London Tientsin No. 55 bristles fell from 54 shillings to 46 shillings; in New York they were sold at US\$7.80; in Hongkong the price was around \$39, while in Canton it was \$40. Hankow No. 17 bristles in New York fetched the equivalent of HK\$36.40, the price in Hongkong being \$46.80 and in Hankow HK\$36. Chungking No. 27 was priced at US\$4 odd, whereas in Hongkong it fetched around US\$3.70.

#### Tea

The tea-picking season having commenced in Formosa, large shipments were expected. A French order for 150 tons was almost filled. The arrival of 3800 cases was expected from Canton, the price of which worked out at \$200 for Pow Chung, \$140 for best orange pekoe and \$110 for orange pekoe; the Hongkong market price was \$200 odd, \$155 and \$120 respectively.

#### Gunny Bags.

The market started well with the news that Formosan buyers were requiring supplies of gunny bags. A drop took place later, however, with the cessation of buying on the part of Malaya and South Africa. New gunnies sold for \$3 per piece, a drop of about 2 cents, whilst old gunnies fell by about 5 cents. Shanghai gunnies were offered at \$2.91 for forward delivery within 10 days.

#### Rattan

Last year the monthly average for imports of rattan from Java was about 30,000 piculs, this year total imports for the first quarter amounted to 10,000 piculs only. The price in Java was HK\$60 per picul.

#### Grass Mats

An order for 250,000 grass mats was placed in Japan; size 36" x 38" was booked at US 13 cents, 38" x 40" at US 14 cents, the local price being 56 cents and 60 cents respectively.

#### Camphor

A consignment of 400 cases (100 lbs.) camphor tablets arrived from Formosa. It was considered competitive with products from other parts. American camphor at US 80 cents per lb. f.o.b. worked out at US 85 cents in Hongkong, the Japanese product was priced at US\$1, while the Formosan camphor was US\$1.15 but could be reduced to US 80 cents to compete.

## Reports from China

### TRADE OF TIENSIN IN MARCH

During March 1949, the Tientsin Maritime Customs registered exports of merchandise valued at People's Bank \$216 million, imports at PB\$48 m., resulting in an export surplus of PB\$168 m. At the average rate of the US\$ on the unofficial Tientsin exchange market in March—PB\$1000 per US\$ 3.30—the trade would amount to equivalents of US\$712,800 for exports, US\$ 158,400 for imports, a balance of US\$ 554,400. Imports mainly comprised handicraft tools, automobile parts, paper and rubber; exports were mainly bristles, raw wool, egg and egg products, skins and furs. Considerable trade with North China was conducted via other ports during March and commodities have also been transported across the land and river frontiers connecting North with Central China. Figures for other than Tientsin trade have not yet been compiled.

#### Exports from Shanghai

Exports from Shanghai for the first week of March amounted to US\$4,959,499 including commodities under Government control totalling US\$3,772,650.	
Bristles .....	US\$ 59,687
Woodoil .....	178,659
Furs & Skins .....	110,737
Other Vegetable Oils ....	241,419
Tea .....	2,743
Straw Hats .....	81,251
Hog Casings .....	21,383
Feathers .....	32,858
Metals & Metallic Products .....	66,250
Woolen & Silk Yarns ..	24,393
Fresh & Preserved Eggs ..	30,534
Cotton Manufactures ....	90,382
Silk Manufactures .....	79,634
Vegetable & Vegetable Products .....	9,671
Sundries .....	107,237
Total of private commercial exports .....	US\$1,186,849
Frozen Eggs .....	US\$ 84,009
Cotton Piece Goods .....	3,271,304
Cotton Yarn .....	417,336
Total of Government exports .....	US\$3,772,650
Grand Total .....	US\$4,959,499

There were no exports of wool and woollen products, mineral products and sugar. Total exports showed an increase of nearly US\$3,300,000 over the previous week.

#### Chemicals Exports

Exports of chemicals and chemical products from China in the first half of 1948 dropped to 19,391 metric tons from 106,407 tons in the corresponding period of 1947. The decline is attributed almost entirely to greatly reduced shipments of crude and refined salt to Japan.

#### Shanghai Power Decline

Industrial production in Shanghai declined sharply after April 1948, there-

by bringing about a substantial curtailment of power production. The daily power-generating capacity is 175,000 kilowatts, but at present 150,000 kilowatts are sufficient for daytime consumption and 160,000 kilowatts for night consumption.

Comparative monthly consumption figures, in kilowatts, for April through November 1948 follow:

April .....	53,277,000
May .....	48,454,000
June .....	49,935,000
July .....	48,607,000
August .....	46,056,000
September .....	46,755,000
October .....	39,956,000
November .....	38,386,900

During the first 3 months of 1949 further curtailment has been recorded. Industries in March consumed about 20% less than in February.

#### Production in Former Japanese

##### Plants in Taiwan

War-time Japanese electrolytic alkali plants in Taiwan, now under the management of the Taiwan Alkali Corp. (National Resources Commission of China), have a maximum monthly output of 650 metric tons of solid caustic soda, 375 tons of liquid soda, 217 tons of bleaching powder, and 130 tons of hydrochloric acid. Production costs are high. The three plants are at Kaohsiung and Tainan (2).

##### Production Goals in Kwantung.

##### Manchuria

The Kwantung economic plan includes the following production goals for chemicals in 1949 and 1950, in metric tons: Fertilizers, 10,000 (1950); sulfuric acid, 1,000 and 2,500; sodium nitrate (salt peter), 500 and 2,000; sulfides, 560 and 1,330; and glycerin, 24 and 43. Chemical, dye, caustic soda, and glycerin plants are to be expanded or constructed.

##### Tientsin Cotton Mills

As more cotton supplies arrive in Tientsin, 6 state-owned textile mills in the city have increased one more work day per week recently. These 6 mills formerly of the KMT China Textile Corporation only operated 3 days a week before liberation because of material shortage. With 220,000 spindles and 6,000 looms some 20,000 men and women workers are increasing production for domestic use.

##### Exports to U.S.

Declared exports of medicinal and pharmaceutical preparations from Shanghai to the United States in the first 11 months of 1948 consisted of menthol, 51,320 pounds (US\$374,430) and "Chinese medicines," 13,498 pounds (\$7,796). Rhubarb amounted to 31,080 pounds (\$8,239), and exports of tea waste (for caffeine) amounted to 1,434,360 pounds (\$27,052). Declared exports of citronella oil from Shanghai to the United States during the first 11 months of 1948 amounted to 47,474 pounds, valued at US\$42,066. Safrol exports in the like period 4,301 pounds, value, \$736.

##### Tsingtao Exports

Declared exports from Tsingtao, in 1948, included 145 cowhides, 50,400 Chinese goatskins, and 236 weasel skins, almost all of which to the U.S.







# THE CHARTERED BANK OF

## Balance Sheet, 31st

	£	£	1947. (Adjusted) £
<b>Capital—</b>			
Stock authorised and issued ... ..	3,000,000		3,000,000
(There is under the Charter a reserve liability of the Stockholders equal to the amount of Stock issued).			
<b>Reserve Fund</b> ... ..	3,000,000		3,000,000
<b>Profit and Loss Account</b> ... ..	406,437		402,326
		6,406,437	6,402,326
<b>Current and other Accounts, including Reserves for Contingencies, Taxation on profits to date, and Exchange Adjustments</b> ... ..	108,278,896		100,072,183
<b>Fixed Deposits</b> ... ..	12,131,913		10,086,244
<b>Notes in Circulation</b> ... ..	3,522,196		3,503,705
<b>Bills Payable</b> ... ..	1,208,757		1,875,653
<b>Loans Payable</b> ... ..	2,411,250		1,342,500
<b>Deposits by Nominee Subsidiaries</b> ... ..	381		381
<b>Proposed Final Dividend, less income tax</b> ... ..	99,000		115,500
<b>Acceptances, including Undertakings to Accept on Account of Customers</b> ... ..	4,362,311		2,890,307
		132,014,704	119,886,475

NOTES:—

(1) There are contingent liabilities on Bills rediscounted £3,838,372 (of which £2,229,043 has run off at 7th March, 1949) and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts.

(2) Contracts for outstanding capital expenditure on premises amount to approximately £54,478.

(3) Currency assets and liabilities have been converted at the following rates:— Rupee 1s. 6d., Straits Dollar 2s. 4d., Guilder 2s. 0d., Tical 6d., Indo-China Piastre 4d., Hongkong Dollar 1s. 3d., Gold Yuan 400 to £., Philippine Peso 2s. 6d., Yen 1090 to £., and United States Dollar 5s. 0d.

(4) Returns have not been received from the Kobe Branch relating to the period prior to re-opening after enemy occupation and the figures included in this Balance Sheet in respect of Assets and Liabilities relating to the period prior to re-opening, have been taken from the Return dated 15th November, 1941.

(5) Under Part III of the Eighth Schedule to the Companies Act, 1948, the Bank is exempted from showing the aggregate amount of its reserves and the movements therein.

(6) The date of the accounts of the Allahabad Bank Ltd., as shown, is 31st March, 1948. Although that Bank is technically our subsidiary it has not been considered advisable at this stage to ask the Directors of that Institution to alter the date of its financial year to coincide with that of this Bank.

H. F. MORFORD	} Managers.	A. C. GORDON	} Accountants.	£138,421,141	£126,288,799
D. STEWART		H. G. F. KIRK			

### REPORT OF THE AUDITORS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit apart from the returns referred to in Note (4) on the balance sheet. In existing circumstances it has not been possible to reconcile all outstanding transactions between branches previously occupied by the enemy and the Head Office and other branches. In our opinion proper books of account have been kept by the bank so far as appears from our examination of those books and, with the above-mentioned exception, proper returns adequate for the purposes of our audit have been received from the branches, which have not been visited by us. We have examined the above balance sheet and annexed profit and loss account which are in agreement with the books of account and returns as aforesaid. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1948, in the manner so required for banking companies, and, on the basis indicated in

LONDON, 9th March, 1949.

### Profit & Loss Account for the

	£	£	1947. £
<b>Allocations—</b>			
Amount written off Bank Premises ... ..	150,000		125,000
Officers' Pension Fund ... ..	100,000		100,000
Widows and Orphans' Fund ... ..	15,000		10,000
		265,000	235,000
<b>Dividends Paid and Proposed, less income tax—</b>			
Interim 6% paid 1st October, 1948 ... ..	99,000		82,500
Final 6% proposed ... ..	99,000		115,500
12%		198,000	198,000
<b>Balance Proposed to be Carried Forward</b> ... ..	406,437		402,326
	£869,437		£835,326



## INDIA, AUSTRALIA &amp; CHINA

December, 1948

	£	£	1947. (Adjusted) £
<b>Current Assets—</b>			
Cash in Hand and at Bankers ... ..		19,465,636	23,110,595
<b>Government and other Securities at Market Value—</b>			
Quoted on London Stock Exchange ... ..	41,907,996		
Quoted on Overseas Stock Exchanges ... ..	9,091,908		
Dominion Government and other Securities at Local quotations	2,576,723		
		53,576,627	51,994,779
Hongkong Government Certificates of Indebtedness for surrendered coin lodged against Note Issue ... ..	1,700,000		
<b>British Government Securities at Market Value—(Quoted on London Stock Exchange) lodged against Note Issue ... ..</b>	<b>1,789,375</b>		
		3,489,375	3,420,497
Bills of Exchange, including Foreign Treasury Bills ... ..		3,840,334	4,754,675
Advances to Customers and Other Accounts ... ..		50,590,069	37,002,519
Balance of Remittances, Drafts, etc., in Transit between Head Office, Branches and Agencies ... ..		728,403	942,506
Liability of Customers for Acceptances, including undertakings to accept, per contra ... ..		4,362,311	2,890,307
		136,052,755	124,115,878
<b>Fixed Assets—</b>			
<b>Subsidiaries—Shareholdings at cost—</b>			
Allahabad Bank Ltd.—37,648 Ordinary Shares of Rs. 100 each of which 14,665 are fully paid and 22,983 are paid up to the extent of Rs. 50 per share at cost ... ..	747,705		747,705
Nominee Companies ... ..	381		381
The assets of the Nominee Companies amount to £381, represented by Deposits with the Bank, per contra.			
	748,086		748,086
Bank Premises and Furniture, at cost, less amounts written off ...	1,620,300		1,424,835
		2,368,386	2,172,921
V. A. GRANTHAM, Chairman.			
C. R. CHERRY			
J. H. S. RICHARDSON		£138,421,141	£126,288,799

## TO THE STOCKHOLDERS.

Note (5) on the balance sheet, such balance sheet gives a true and fair view of the state of the bank's affairs as at 31st December, 1948, and the profit and loss account gives a true and fair view of the profit for the year ended on that date. We have also examined the annexed accounts of the subsidiary, Allahabad Bank Limited, which have not been audited by us. Subject thereto in our opinion such accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as, in conjunction with the accounts of the bank as audited by us (which include particulars regarding Nominee Companies), to give on the basis mentioned above a true and fair view of the state of affairs and of the profit of the bank and its subsidiaries so far as concerns stockholders of The Chartered Bank of India, Australia & China, and so far as is practicable having regard to the fact that the accounts of one subsidiary are made up to a different date and cover a different period of a year from those of The Chartered Bank of India, Australia & China.

W. A. BROWNE & CO.  
DELOITTE, PLENDER, GRIFFITHS & CO. } Auditors.  
Chartered Accountants.

year ended 31st December, 1948

	£	1947. £
Balance Brought Forward from 31st December, 1947 ... ..	402,326	387,268
<b>Profit, after providing for Taxation and after making allocations to Contingency Accounts, out of which Accounts full provision has been made for doubtful debts</b>	<b>467,111</b>	<b>448,058</b>

## Notes:—

- (1) The aggregate emoluments received by the Directors for their services amounted to £14,698.
- (2) Auditors' fees for the year are £2,000.
- (3) The nominee subsidiaries do not trade and their accounts show neither profit nor loss.

£869,437      £835,326



## HONGKONG IMPORTS &amp; EXPORTS OF SELECTED COMMODITIES

FOR THE MONTH OF JANUARY, 1949

## Antimony

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, North ....	1,058	160,000	—	—
"    South ....	623	94,250	—	—
Germany .....	—	—	992	182,540
Total .....	1,681	254,250	992	182,540

## Wolfram

United Kingdom ..	—	—	78	35,712
Belgium .....	—	—	409	193,412
China, South ....	2,179	650,000	—	—
Macao .....	494	133,700	—	—
U. S. A. ....	—	—	1,238	391,087
Total .....	2,673	783,700	1,725	620,211

## Tin ingots, China

China, North ....	428	232,962	—	—
"    South ....	4,483	2,252,784	—	—
Germany .....	—	—	2,389	1,398,446
Holland .....	—	—	419	217,588
Switzerland .....	—	—	252	133,560
U. S. A. ....	—	—	336	188,385
Total .....	4,911	2,485,746	3,896	1,937,979

## Tea seed oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	49,940	8,811,529
China, Middle ....	231	37,506	—	—
"    South ....	32,723	4,352,491	—	—
Italy .....	—	—	168	27,720
Macao .....	3,380	482,170	—	—
Total .....	36,334	4,872,167	50,108	8,839,249

## Wood oil, in drums

United Kingdom ..	—	—	714	95,008
Australia .....	—	—	1,999	271,931
Canada .....	—	—	472	49,140
India .....	—	—	17	2,167
Malaya .....	—	—	72	9,994
New Zealand ....	—	—	246	33,226
North Borneo ....	—	—	17	2,496
Belgium .....	—	—	1,717	227,646
China, South ....	18,018	2,067,167	—	—
Denmark .....	—	—	840	124,000
France .....	—	—	2,520	334,100
Germany .....	—	—	11,733	1,511,120
Holland .....	—	—	588	82,160
Macao .....	981	124,013	—	—
Norway .....	—	—	510	67,322
Indonesia .....	—	—	1,344	190,596
Siam .....	—	—	50	10,300
Sweden .....	—	—	1,359	212,778
U. S. A. ....	—	—	378	51,300
Finland .....	—	—	183	29,280
Total .....	18,999	2,191,190	24,759	3,304,564

## Wood oil (in bulk)

United Kingdom ..	—	—	31,062	4,219,399
China, South ....	5,449	664,845	—	—
Holland .....	—	—	3,444	454,608
U. S. A. ....	—	—	8,154	853,340
Total .....	5,449	664,845	42,660	5,527,347

## Coco-nut (copra) oil refined

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya .....	83	10,123	—	—
China, North ....	—	—	150	18,000
"    Middle ..	—	—	18	2,124
Japan .....	—	—	10,296	1,332,705
Macao .....	—	—	47	5,450
Total .....	83	10,123	10,511	1,358,279

## Groundnut (peanut) oil

Malaya .....	—	—	831	155,692
Br. Emp., Other ..	—	—	60	10,800
China, North ....	193	28,736	—	—
"    Middle ..	4,751	708,549	—	—
"    South ....	3	345	—	—
Italy .....	—	—	840	99,990
Korea, South ....	1,921	248,704	—	—
Macao .....	3,390	496,458	—	—
Korea, North ....	600	84,000	—	—
Total .....	10,858	1,566,792	1,731	266,482

## Sesamum oil

Australia .....	—	—	1	25
Canada .....	—	—	5	1,469
Malaya .....	—	—	76	16,251
China, North ....	99	17,730	—	—
C. America .....	—	—	5	481
Macao .....	18	3,240	1	100
Indonesia .....	—	—	1	90
Philippines .....	—	—	10	1,654
U. S. A. ....	—	—	30	7,678
Total .....	117	20,970	129	27,748

## Soya bean oil

Korea, South ....	120	14,400	—	—
Macao .....	—	—	9	360
Siam .....	41	5,016	—	—
Total .....	161	19,416	9	360

## Linseed oil

India .....	220	41,055	—	—
Malaya .....	—	—	34	3,944
China, South ....	—	—	5	900
Siam .....	—	—	51	6,120
Total .....	220	41,055	90	10,964

## Other oils from seeds, nuts and kernels

United Kingdom ..	—	—	168	16,000
China, South ....	2,862	333,438	—	—
Macao .....	13,124	1,665,880	20	1,410
Total .....	15,986	1,999,238	188	17,410

## Cassia oil

United Kingdom ..	—	—	16	14,017
Australia .....	—	—	3	3,307
India .....	—	—	2	1,012
China, South ....	3	638	—	—
Holland .....	—	—	6	6,794
Macao .....	7	6,345	—	—
Total .....	10	6,983	27	25,130



## Aniseed oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	270	122,705
Australia	—	—	41	18,399
India	—	—	11	5,511
Belgium	—	—	16	7,370
Denmark	—	—	3	1,496
France	—	—	106	45,500
Germany	—	—	16	6,934
Macao	13	3,927	—	—
Philippines	—	—	6	2,766
U. S. A.	—	—	441	203,612
Total	13	3,927	910	414,293

## Raw Rubber

Malaya	3,718	373,510	—	—
North Borneo	228	19,230	—	—
Br. Emp., Other	3,058	290,348	—	—
China, Middle	—	—	68	6,200
" South	—	—	797	64,561
Indochina	2,929	262,500	—	—
Korea, South	—	—	4,132	335,395
Macao	—	—	10	1,500
Indonesia	4,662	434,500	—	—
Korea, North	—	—	3,282	308,717
Total	14,595	1,380,088	8,289	716,373

## Tinplates

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, North	1,680	68,224	—	—
" Middle	—	—	88	7,830
" South	—	—	136	7,140
Macao	—	—	184	11,736
Siam	—	—	307	24,000
U. S. A.	8,250	348,961	—	—
Total	9,930	417,185	715	50,706

## Bristles

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	203	477,100
Australia	—	—	57	268,070
Belgium	—	—	40	16,400
China, North	72	79,588	—	—
" Middle	107	65,494	—	—
" South	1,246	1,763,544	—	—
France	—	—	38	98,490
Holland	—	—	12	9,504
Macao	26	26,160	—	—
Korea, North	11	84,000	—	—
U. S. A.	—	—	1,349	3,586,806
Total	1,462	2,018,786	1,699	4,456,370

\* \* \*

## FOR THE MONTH OF FEBRUARY, 1949

## Wolfram

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Belgium	—	—	413	126,000
China, South	10,909	3,247,000	—	—
Holland	—	—	84	13,700
Korea, South	126	37,500	—	—
Macao	281	71,650	—	—
U. S. A.	—	—	1,574	500,070
Total	11,316	3,356,150	2,071	639,770

## Antimony

China, South	6,363	955,000	—	—
Germany	—	—	6,943	1,251,860
Siam	—	—	5	1,000
Total	6,363	955,000	6,948	1,252,860

## Tin ingots of Chinese origin

Belgium	—	—	1,420	739,396
China, South	5,256	2,747,881	—	—
Germany	—	—	663	348,524
Macao	378	181,496	—	—
U. S. A.	—	—	673	356,557
Total	5,634	2,929,377	2,756	1,444,477

## Tin ingots, non-Chinese

Malaya (Br.)	336	188,808	—	—
Total	336	188,808	—	—

## Wood oil (in drums)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	168	23,275
Australia	—	—	1,374	176,502
India	—	—	336	45,024
Malaya	—	—	80	11,755
New Zealand	—	—	168	21,420
North Borneo	—	—	10	1,455
South Africa	—	—	874	117,810
Belgium	—	—	168	20,400
China, South	13,988	1,606,539	—	—
Denmark	—	—	4,200	540,200
Germany	—	—	1,169	152,529
Macao	587	67,583	—	—
Norway	—	—	1,764	224,532
Siam	—	—	32	6,040
Sweden	—	—	2,520	320,880
Total	14,575	1,674,122	12,863	1,661,822

## Wood oil (in bulk)

United Kingdom	—	—	7,560	982,800
China, South	7,739	955,739	—	—
Total	7,739	955,739	7,560	982,800

## Coco-nut (copra) oil refined

Malaya	560	71,400	—	—
North Borneo	475	53,109	—	—
China, North	—	—	190	25,050
" Middle	—	—	898	109,783
Korea, South	—	—	265	31,900
Siam	135	16,200	—	—
Macao	—	—	90	10,200
Total	1,170	140,709	1,443	176,933



Tea seed oil					Aniseed oil				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$		Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	244	2,912	34,985	5,711,525	United Kingdom	—	—	80	34,911
China, North ...	170	28,831	—	—	Australia .....	—	—	12	5,465
" Middle ...	168	25,872	—	—	China, South ...	63	16,729	—	—
" South ...	17,828	2,330,817	—	—	Indochina .....	23	9,660	—	—
Macao .....	5,121	636,881	—	—	Holland .....	—	—	32	13,300
Siam .....	30	2,700	—	—	Macao .....	109	46,567	—	—
Total .....	23,561	3,028,013	34,985	5,711,525	Sweden .....	—	—	8	1,370
					U. S. A. ....	—	—	773	344,840
					Total .....	195	72,956	900	399,886
Linseed oil					Cassia oil				
Indian .....	180	32,114	—	—	United Kingdom	—	—	54	31,518
Malaya .....	—	—	87	11,633	India .....	—	—	3	1,060
China, North ...	50	5,240	—	—	Germany .....	—	—	17	14,200
" South ...	17	1,664	—	—	Holland .....	—	—	6	6,048
Macao .....	—	—	7	938	U. S. A. ....	—	—	37	34,729
Total .....	247	39,018	94	12,571	Total .....	—	—	97	87,555
Groundnut (peanut) oil					Bristles				
Malaya .....	—	—	30	4,650	United Kingdom	—	—	521	1,047,788
China, Middle ...	258	39,744	—	—	Australia .....	—	—	50	26,000
Korea, South ...	4,241	675,830	—	—	China, North ...	83	55,500	—	—
Macao .....	506	64,250	—	—	" South ...	2,293	3,163,394	—	—
Korea, North ...	999	103,800	—	—	Korea, South ...	134	665,250	—	—
Total .....	6,004	883,624	30	4,650	Macao .....	27	34,000	—	—
					U. S. A. ....	—	—	463	1,102,439
					Korea, North ...	28	12,030	—	—
					Total .....	2,565	3,930,174	1,034	2,176,227
Sesamum oil					Raw Rubber				
Australia .....	—	—	1	372	Malaya .....	9,895	960,965	—	—
Canada .....	—	—	12	2,831	North Borneo ...	1,624	135,002	—	—
Malaya .....	—	—	11	2,028	China, North ...	—	—	10,080	149,520
Macao .....	—	—	5	428	" Middle ...	—	—	65	4,665
Philippines ..	—	—	5	884	" South ...	87	7,917	5,906	494,517
Siam .....	75	7,500	—	—	Indochina .....	227	22,500	—	—
U. S. A. ....	—	—	8	1,638	Japan .....	—	—	4,062	415,820
Total .....	75	7,500	42	8,181	Korea, South ...	—	—	45	3,755
					Indonesia .....	3,916	303,300	—	—
					Korea, North ...	—	—	4,872	402,200
					Total .....	15,749	1,429,684	25,030	1,470,477
Soya bean oil					Tinplates				
Korea, South ...	33	3,800	—	—	United Kingdom	760	48,112	—	—
Macao .....	—	—	17	1,140	China, Middle ...	—	—	774	52,885
Siam .....	122	15,912	—	—	" South ...	—	—	1,706	114,166
Total .....	155	19,712	17	1,140	Macao .....	—	—	694	36,633
					Siam .....	—	—	2,308	179,295
					U. S. A. ....	13,738	578,149	—	—
					Total .....	14,498	626,261	5,482	382,979
Other oils from seeds, nuts and kernels									
China, South ...	1,962	236,910	—	—					
Macao .....	6,521	774,846	56	6,144					
Total .....	8,483	1,011,756	56	6,144					

## U.S. TRADE WITH MALAYA AND HONGKONG

Merchandise trade of the US in millions of US dollars for 1938, 1946, 1947 and first half of 1948.

Hongkong's imports from the US comprise all shipments as recorded at US ports destined for Hongkong irrespective of eventual distribution; Hongkong's exports to the US include however only those goods which originated in Hongkong or were stated as having originated in Hongkong. Thus, the US statistics for Hongkong's imports from the US include the Colony's entrepot business while the figures for Hongkong's exports to the US exclude the Colony's entrepot business.

Imports from U.S.		Yearly		Quarterly 1947				Quarterly 1948		Jan. to June	
	1938	1946	1947	First	Second	Third	Fourth	First	Second	1947	1948
British Malaya .....	8.9	14.6	65.8	11.5	16.5	19.1	18.6	21.6	29.9	28.0	51.4
Hongkong .....	21.3	46.7	89.5	22.6	23.2	19.2	24.4	23.2	22.0	45.9	45.2
Exports to U.S.											
British Malaya .....	112.3	126.7	284.1	87.4	85.1	54.6	57.0	75.8	59.1	172.5	134.9
Hongkong .....	3.4	1.5	2.4	.8	.5	.3	.8	1.0	1.1	1.3	2.1



## Reports from Siam

(From our Correspondent)

### Hydro-Electric Plant

By an arrangement with the Siamese Government, the International General Electric Corp., of New York has recently been conducting an investigation into Siam's waterways for a supply of electric power. In the preliminary report submitted by the Corporation, the survey team of U.S. experts recommends the improvement and extension of the Bangkok power plant to meet present requirements for power, pending the completion of the hydro-electric power project, which it is believed will take six years to complete and to place on an operational basis. The actual extension of the present plant will not take more than three years.

The survey now completed will be followed by an aerial survey before the team leaves for New York to work out a detailed report for submission to the Siamese Government. After approval, it will be submitted to the International Bank for Reconstruction and Development for consideration with a view to obtaining a loan for carrying through the project. The survey team has also reported that an improved steam-power plant would be an important adjunct to the hydro-electric plant.

This proposed hydro-electric plant is a necessary corollary to the growth of Siam's industries. The need is considered urgent, as it is high time that the inroads made on Siam's forests for firewood, should be put a stop to. Even as it is, some years must elapse before the plant can be built and start operating. In the meantime a number of the existing plants are to have additions to enable them to raise their output. This would be an interim measure pending the completion of the hydro-electric plant. The need is acute enough to warrant any temporary additional expenditure on procuring greater output.

### The Rice Output.

The value of Siam's rice crop has risen to such proportions that the Government, in spite of the bumper crop just harvested, is rightly determined to do everything possible to encourage further development. The question of fertilizers is naturally essential to the success of the scheme and during the past year experiments with various fertilizers in different parts of Siam have been extensively carried out, some two hundred farms being used for the purpose. The results so far are said to have been encouraging and one of the conclusions reached is that at least some six thousand tons of ammonia sulphate would be needed for the country's rice crop in a year, that is, if they are to produce some two to three times above their present capacity. Up to the present, imports of ammonia sulphate amounting to 500 tons a year came from Italy, with the addition during the past year of another 500 tons from Canada.

The importance of the rice market cannot be over-estimated. Last year it had been calculated that 700,000 tons would be available for export, but in reality the figure totalled 850,000 tons, while this year the figure has been placed at one million tons. The largest proportion of this rice has been taken by Britain for rice deficit countries under her administration. At the same time the U.S. Relief Programme, which was started in 1946, is shipping large quantities of rice to China. During the first three months of this year Siam exported, under the aegis of the American Commodity Credit Corporation, approximately 52,000 tons of rice to China; for the same period last year the amount was 27,700 tons. It is interesting to note that since the inauguration of the relief programme, approximately 336,000 metric tons have been sent to China. Smaller quantities were sent to Korea and the Philippines. The total value of the rice purchases during the first three months of this year for relief purposes totalled US\$8,320,000. At the same time the relief programme for China since the beginning of 1946 approximates to date US\$47,000,000,—a fact which is not always realised.

### International Rice Commission Conference

The Conference held by the International Rice Commission in Bangkok during the month has now terminated. Some valuable information was forthcoming and certain recommendations adopted. These include *inter alia*: the setting up of a body to study rice cultivation and breeding; to collect information on the soil, climate, geographical and social factors affecting rice cultivation; to collect data on the control of crop diseases and on fertilizers; to utilise the by-products of the rice plant such as rice straw, husk and bran for the manufacture of industrial and food items; to ask the FAO to set up a statistical advisory and research unit in its regional offices. The Conference is felt to have been very helpful, with delegates from Burma, Ceylon, France, India, Italy, the Netherlands, the Philippines, Siam, the United Kingdom and United States. China, SCAP, UNESCO and ECAFE had observers attending. The next meeting will be held in Burma in January, 1950.

### Commercial Banks

The Nederlandsch Indische Handelsbank, N.V., has been granted permission by the Siamese Ministry of Finance to open a branch in Bangkok. This will be the first Dutch commercial bank to open.

Under a decision of the government, only one bank of each nationality will in future be permitted to open in Bangkok, though this ruling will not apply to existing banks. At present there are twenty commercial banks operating, which include three British banks, the Hongkong & Shanghai Banking Corporation, the Chartered Bank, and the Mercantile Bank; three Chinese owned banks with foreign registration, the Bank of China (registered in Shanghai),

the Bank of Canton (registered in Canton) and the Sze Hai Tong Bank (registered in Singapore); one Indian Bank, the Bank of India; and one French bank, Banque de l'Indochine.

### Cooperative Stores

The cooperative movement in Siam did not as a whole make much headway during 1948, as with the exception of the Krungtheb Cooperative Store, which has been in existence for nine years, has nearly 3,000 shareholders, and which made a profit of 66,006 baht compared with 40,813 in 1947, the majority of the 163 other cooperative stores in the country faced losses. The losses would have been higher, except that in most of these cases government officials run the stores without salaries being charged. Complaint is that the stores undercut each other, lacking a joint board, as in Great Britain, which controls minimum prices. The government has advanced two million baht to the cooperative trading division, for the purchase of goods, but this amount is regarded as insufficient for the purpose. Last year's grant of one million bahts was mostly used by government departments to establish 103 new cooperative stores in addition to the 60 already in existence.

### Imports and Exports

About two-thirds of Siam's total foreign trade has been with the sterling area, and although trade with the United Kingdom last year showed an adverse trade balance of about £2 million, trade with other countries in the sterling area gave Siam a favourable balance of around £9 million. Trade with Great Britain and the Commonwealth countries has increased two and a half times above pre-war figures.

Exports to sterling countries during 1948 amounted to £29 million, as against imports of £20 million. Imports from Great Britain came to £3 million, while exports to that country were £1 million, as against pre-war imports of £1 million and exports of £360,000. Principal imports were manufactured articles, including textiles, automobiles, and canned provisions; exports included general produce such as sticklac, teak, and other types of timber.

The main export from Siam to the sterling area countries is rice, which amounted in value to more than £15 million in 1948. It is estimated that two-thirds of all Siamese rice exports go to countries in the sterling area. On the other hand, the bulk of the rubber output went to the United States. Tin exports last year amounted to £1½ million.

### Tin Production

The total tin production in Siam for 1948 came to nearly 4,000 tons. Ore production last year in British concessions amounted to 2,236 tons compared with 427 tons in 1947. All ore from the British mines went to Malaya for smelting and from there, in the form of metal, to Britain and other markets. Most of the ore produced by other mines went to the United States.



### Czechoslovakian Trade

Since the war, the Czechoslovakian engineering industry (mainly the Skoda Works) has been reestablishing itself in Siam and has supplied through its various local agents spare cane rollers for the government sugar factory at Utradiat, and some repairs and electric meters for the government power station; 50 pumping sets also have been furnished to the irrigation department. Contracts have been recently awarded through the purchasing bureau for the supply of 10 diesel-driven road rollers for the highway department, and six others for reconstruction work at the Don Muang airfield.

### Aluminum-Sulfate Requirements in Siam

The Bangkok Waterworks requires about 600 metric tons of aluminum sulfate annually. It has been supplied in the past through the Government Purchasing Bureau, but will be bought in the future by tender, probably in annual lots.

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### SIAM'S ECONOMIC PROGRESS

Siam has made better recovery from the effects of war than any other state in South-East Asia, states the "Economist". A favourable balance of trade by the middle of last year enabled the recent Siamese Purchasing Mission to come to Britain. The Mission have ordered capital equipment for railways worth £15,000,000, covering locomotives, coaches, goods wagons and bridging material. There have been vivid changes in Siam's economy since the end of the war when Siam was at first unable to export a contribution of those goods for which the rest of South-East Asia and the world were clamouring—rice, tin, rubber and teak. Now, though recovery is not complete—tin and teak production will have some way to go—the Siamese have refurbished their economy till it looks as if the country could soon be more prosperous than ever before. This, of course, depends on the continuance of political peace in Siam.

The main economic danger is the shortage of labour. However, the area under rice is currently reported to be equal to prewar average. Tin production is probably still less than a quarter of 16,000 tons which was the annual average before the war. Rubber, on the other hand, has been leaping ahead and Siam is now the fourth largest rubber exporter after Malaya, Indonesia and Ceylon. New industrial developments in Siam include projects for railways, waterworks, paper factories, irrigation, electrical undertakings and co-operative societies and many new home industries. Politically and economically Siam is at present one of the healthiest areas in South-East Asia well worthy of assistance that Washington and particularly London can give.

## Import & Export Control Regulations in Siam

### Imports

**Luxury Goods.** The imports of luxury goods as listed below are prohibited as from 15th December 1948 according to the Import Control Ordinance (No. 2) B.E. 2491.

#### 1. Toilet goods and perfumeries

a. Toilet goods: 1. Facial cream. 2. Facial Powder, 3. Lipstick, 4. Nail polish and nail remover, 5. Eye brow pencil, 6. Rouge and Toilet soap.

b. Perfume, perfume essence, essential oil except Eau de Cologne and lavender.

#### 2. Toys of all descriptions.

#### 3. Food-stuffs.

1. All kinds of sugar, molasses including sugar manufactured except those used for medicinal purposes, 2. Meat, fresh, preserved, and canned, 3. Sausages, fresh and canned, 4. Canned fish, 5. Aquatic animals e.g. cuttle fish, Beches der mer, Shark's fin, mollusc, 6. Biscuit, bread, confectionery, pastry and pudding, 7. Chocolate in bars and powder form, 8. Macaroni, vermicelli, spaghetti and other similar products, 9. Bean curd, 10. Agar-agar and jelly, 11. Vermicelli (made from green peas), 12. Salt.

#### 4. Spices and Seasonings.

1. Mustard, 2. Seasonings e.g. "Gourmet" "Vetsin" Ajinomoto" and other similar products, 3. Fish Sauce, Chilli Sauce including Soya Sauce, Soya Paste gravies, Chutneys, Ketchups and Tomato Sauce.

#### 5. Fruits, Vegetables and Seeds for human consumption.

1. All kinds of fruits, either fresh, dried, preserved or canned, 2. Preserved vegetables, either dried or preserved, with the exception of garlic, onion, potatoes, 3. Mushroom and fungi, 4. Preserved cabbage (Tang-Chai), 5. Pickled-plums, Salted Olives, 6. Water melon seeds.

#### 6. Soda water, Syrups, Fruit juice, aerated water of all kinds except mineral water.

#### 7. Motor cars Motor cycles.

#### 8. Cement for construction purpose.

#### 9. Orygen.

10. Paint Oil with the exception of: 1. Linseed oil with not less than 170 iodine value, 2. Tung Oil.

Import permits must first be obtained from the Ministry of Commerce for the above goods.

**Other Goods.** Goods other than listed above are allowed to be imported freely and no import permits are required.

However, there are special laws controlling the formalities for the imports of particular merchandise such as ammunition, fire-arms, fire-works, opium, playing cards, cigarettes and tobacco, Ganja (seed and flower-bearing kinds of Indian hemp used as a drug or intoxicant), spirits, wireless sets etc. which importers must comply.

**Import of Gold:** The Ministry of Finance, by virtue of the Exchange Control Law, published a regulation dated October 25, 1947 to the effect that all gold imported into the country, if not otherwise exempted, are to be sold to the Bank of Siam within 7 days after the date of importation at the price specified by clause 2 of the Provisional Currency Act of B.E. 2489, that is 0.09020 grammes of pure gold for 1 Baht or 15 grammes for 166.13 Baht.

**Foreign Exchange:** As regards applications for foreign exchange at the Official rates for general imports, applications may be submitted to the Bank of Siam through authorised banks, but at present the Bank of Siam confines its consideration to application for the imports of oil products only. Details regarding the control of exchange may be obtained direct from the Bank of Siam.

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### Exports

Exports are subject to the following controls:

#### 1. Export Control Ordinance No. 8 prohibits the export of:

1. Gold and platinum, including: a. Gold ores and platinum ores, b. Gold metal and platinum metal and gold alloy of any description and c. Precious stones including rubies, emerald, garnet, topaz, sapphire, zircons, jade, pearls and all kinds of valuable stones of every description.

**Exemption.** Export is allowed only on permission granted by the Minister of Finance or any person authorised by him. Applications for export permit must be submitted to the Ministry of Finance on specified forms.

#### 2. Export Control Ordinance No. 11 prohibits the export of:

1. Ammonium Sulphate, 2. Super Phosphate, 3. Rock Phosphate, and 4. Sulphate of potash.

**Exemption** is made in case of requirements for personal use, travel requirements and samples for which export permit will be granted by the Minister of Commerce or his deputy. Application for permit must be submitted to the Merchandise Control Division at the Department of Foreign Trade, Ministry of Commerce, on specified forms.

#### 3. Export Control Ordinance No. 13 prohibits the export of:



(1) Live buffaloes, bullocks, pigs and poultry, (2) Meat of animals listed in (1) either fresh, frozen, cooked or preserved, eggs, lard, lard refuse, lean, molasses, white sugar, and river fishes, (3) Paddy, Cargo Rice, White Rice, Glutinous Rice, Meal, Bran and all rice products, (4) The following hard woods, Teng (Snorea obtusa, Wall), Rang (Pentacme Siamensis, Kurz.), Intanin (Lagerstroemia flosreginae, Retz.), Kiam (Cotylelobium Lanceolatum, Craib.), Lumpaw (Afzelia Bakeri, Prain.), Tumsow (Fagraea fragrans, Roxb.), Deng (Xylia Kerrii, Craib.), Maka-Tah (Sindora siamensis, Teysm.), Maka-Mong (Afzelia xylocarpa, Craib.), Mahad (Artocarpus Lakoocha, Roxb.), Takien Chan Tamaew (Balanocarpus Heimii, King.), Sawong (Vitex limoni-folia, Wall), Takien Hin or Loa Tao (Hopea ferrea Pierria), Kapi Khao-Kwai (Dalbergia cultrata, Graham.), Bunnak or Nakkub (Mesua ferrea, linn.), Takein-Tong (Hopea odorata, Roxb.), (5) All kinds of firewood except Mai Kong Kang, (6) Cotton, threads, yarn or thread prepared from artificial fibres and all kinds of textiles prepared from cotton or other vegetable fibres, (7) All kinds of imported machine-made gunny bags except gunny bags for ores, (8) Machineries and parts, agricultural and industrial machineries, Medical instruments, medicines and chemicals, and (9) Cement.

**Exemption** Export of the above commodities is allowed only on permission granted by the Minister of Commerce or his deputy. Exports for personal use, travel requirements and for samples do not require export permits but must be submitted to the Merchandise Control Division at the Foreign Trade Department on specified forms.

As a general rule, the Ministry of Commerce confines the issuing of export permits to the following arrangements only:

1. Permission to export rice is granted to the Rice Bureau of the Ministry of Commerce for shipments to countries under the allocations of the International Emergency Food Committee of the Food and Agriculture Organisation of the United Nations Organization. 2. Permission to export raw cotton is granted freely without reservation but the Ministry of Commerce is now in the process of preparing certain rulings to control its exports. 3. Permission to export gunny bags (under control) is granted for packing purpose only and with the following conditions: a. The exporter is required to give an undertaking to import the same quantity of similar bags into Siam within 6 months. A cash deposit of Ticals 15.00 per bag or a bank guarantee for the same amount is requested. b. Importers of gunny bags by previous arrangement with the Ministry of Commerce, may use 80% of their imported bags for export packing without having to comply with the condition as stated in (a). 4. Permission is usually granted to exporters to employ grey shirting as lining for gunny bags used for packing shellac, seedlac, buttonlac and tapioca flours for exports. 5. Permission to export cement is granted only to

cement manufacturers. Shipment must be made through the Port of Bangkok, and the exportable quantity will be limited to the surplus production beyond domestic need. The exporter is also required to surrender all foreign exchange derived therefrom to the Bank of Siam.

4. **Export Control Ordinance No. 14** prohibits the export of: 1. Benzine, 2. Kerosene, 3. Gas Oil, 4. Diesel Oil, 5. Fuel Oil, 6. Crude Oil, 7. Lubricants not including edible oils, and 8. Grease.

**Exemption** Export permission may be granted by the Minister of Commerce or his deputy. Exports for personal use for travel requirement and for samples do not require export permit. Application for export permit must be submitted to the Merchandise Control Division at the Foreign Trade Department on specified forms.

5. **Export Control Ordinance No. 15** prohibits the export of Tin, which includes: a. Tin Manufactures and tin metal. b. Any metals containing more than 4% of tin contents.

**Exemption** Export of above commodities is allowed only after the Minister of Commerce or his deputy is satisfied that such export is made in accordance with the allocation of the Combined Committee in Washington D.C. or any other organisation acting for the Committee as specified in the Formal Agreement made between the Government of Siam and Great Britain and India dated January 1, 1946. The Minister of Commerce has empowered the Director General of the Department of Mines to act on his behalf, therefore applications for exports should be submitted to the Department of Mines in Bangkok or to the District Mines Officers in other provinces. Exports of the above commodities for personal use, travel requirements and samples, require no permit.

6. **Export Control Ordinance No. 16** prohibits the exports of: 1. Coconut oil, 2. Copra, 3. Coconuts, and 4. Copra cake, except permission is granted by the Minister of Commerce.

The present rulings of the Ministry of Commerce in this instance allow the export of item 1 & 4 on quota basis of the monthly output of each individual mills, that is export permit will be granted up to 25% of coconut oil monthly output of each individual mills.

**Export Under Exchange Control Law of 1939.**

By virtue of the Exchange Control Law, the Ministry of Finance issued an ordinance, requiring exporters of certain commodities to surrender to the Bank of Siam certain percentage of the foreign exchange derived therefrom. The commodities and the percentage of foreign exchange to be surrendered as specified by the Ministry of Finance are: 1. Rubber 20%, 2. Tin 50%.

## PHILIPPINES

### TRADE OF THE PHILIPPINES

Imports & Exports of the Philippines for the years 1947 and 1948 (in pesos):—

	1948	1947
Total trade	1,774,819,524	1,553,797,312
Imports ..	1,136,409,068	1,022,700,608
Exports ..	638,410,456	531,096,704

#### Ten Principal Imports

	1948	1947
1. Cotton and manufactures	137,363,242	153,442,226
2. Rayon and other synthetic textiles .....	105,019,904	90,584,900
3. Grains and preparations	84,110,422	98,834,050
4. Mineral oils (petroleum products) ..	68,503,810	36,842,052
5. Automobiles, parts of, and tires .....	63,910,034	51,414,052
6. Iron and steel and manufactures	55,888,764	46,144,372
7. Tobacco and manufactures	49,391,482	43,962,246
8. Dairy products .....	45,824,662	42,625,172
9. Paper and manufactures	44,714,054	38,887,246
10. Machinery, machines and parts of (except agricultural and electrical) ..	43,170,350	36,422,882
Other imports	438,512,162	383,541,310

#### Ten Principal Exports

1. Copra ....	309,400,124	354,415,334
2. Abaca, un-manufactured	60,294,087	63,432,374
3. Desiccated coconut ....	57,491,099	19,054,656
4. Sugar ....	41,580,077	4,081,188
5. Coconut oil	40,738,581	13,940,603
6. Embroideries	13,917,276	2,335,116
7. Pineapples, canned ....	7,648,327	—
8. Copra meal or cake ....	7,425,325	4,391,434
9. Chromite ..	5,191,779	446,500
10. Rope ....	4,066,577	2,904,520
Other exports (including re-exports) ....	46,891,007	66,095,079

### THE COPRA MARKET IN THE PHILIPPINES

Although copra production is light and there is a substantially oversold position, copra prices were forced to yield to the downward pull of large cottonseed, soya, and tallow surpluses pressing on the United States market. So strong was this influence that at one time a radical break was imminent, but the United States Government, faced by too rapid a contraction of oils and fats values and the consequent need of far greater price subsidies to farmers, took two steps. On February 2, it de-controlled the export of indigenous inedible oils and fats (which



proved relatively ineffective), and on February 10 it removed all oils and fats from IEFEC control. These steps were taken with the hope that increased shipments of excess oils and fats to Europe would relieve pressure on the domestic markets and thus curb the decline, domestic prices having sunk to levels considerably below what Europe considered fair values. The catch in this action, however, was the plain fact that most European buying is predicated entirely on ECA dollars, and these dollars are available only in such quantities and for purchase at such prices as Uncle Sam may dictate. For a few days the markets hesitated on the theory that the de-control had already been discounted, but later the decline was, temporarily at least, checked.

During the last 2 months the weak factors were cottonseed oil, soya bean oil, and tallow, which sank in price to as low as 13¼ cts, 12 cts, and 8 cts per lb., respectively, thus dragging coconut oil down to 13 cts c.i.f. N.Y. with large buyers sitting on the sidelines and rooting for an 11 cts market. At 13 cts, coconut oil is still comparatively overpriced, but it is in relatively short supply and for edible purposes becoming more attractive, although soapers are still using minimum quantities. Incidentally, soap sales are reported very slow, and the use of soapless detergents is on a sharp upswing.

Copra shipments for February were small, totalling 23,778 tons as against 57,960 tons in January, 1948. The breakdown follows:

Pacific Coast 10,337, Atlantic 4,087, Gulf 5,723, France 1,457, Venezuela 1,133, South Africa 512, Panama 529.

Oil shipments were negligible, totalling 1,633 tons, all of which was consigned to the U.S. Atlantic Coast.

Two things are now evident. First, the American value of coconut oil for industrial purposes was lower than the European edible value. Second, coco-

nut oil is still high-priced as contrasted with other oils and fats in the United States. The value for copra to Europe exceeded its value for oil to the United States. Consequently, Philippine crushers were shutting down and waiting for better times, and American crushers were largely doing the same thing or turning to other seeds. Thus there is comparatively little coconut oil available anywhere, which may have a steadying effect on the small demand. The local markets do not seem to be heavily oversold but very few dealers are long and future sales must depend on production which is and is likely to continue to be very light, even for this time of the year. Although the immediate situation is tight nobody seems to have confidence in the market, and while a temporary hardness is anticipated, it would not be surprising if thereafter prices might drift lower once more, although perhaps gradually. Any intelligent appraisal is, however, hazardous, for the normal laws of supply and demand cannot function properly at a time when unusual circumstances and simple government actions can so easily completely upset the picture one way or the other.

## INDOCHINA

### Currency Regulations

Travellers coming from France, Algeria, Tunis, and other countries in the French franc zone to Indochina and vice versa may carry with them up to the equivalent of 25,000 French francs, either in the form of bank notes, checks, or letters of credit. Of this sum, however, not more than the equivalent of 4,000 metropolitan francs should be in either French or colonial bank notes. Up to £5 and £20 may also be included. The balance may be in piasters but not more than 200 piasters in bank notes. These regulations apply to French citizens and to foreigners, insofar as piasters and francs are concerned, but there is no limit to the amount of foreign exchange one may bring in if declared on entry and accounted for upon departure; whatever piasters are derived from the legal sale of foreign currencies may be reconverted at the time of egress.

### Coal Output

The open-pit anthracite mines at Hongay are the only coal mines currently producing in Indochina. Output of these mines reached a postwar peak of 93,300 metric tons during the last quarter of 1947, but declined during 1948 mainly because of labour shortages and the general political unrest. Production figures are as follows:

Year	Metric tons
1938 .....	2,335,000
1946 .....	261,696
1947 .....	247,800
1948—First quarter .....	85,500
Second quarter .....	75,900
Third quarter .....	74,799
Total .....	236,199

Exports of anthracite during the first half of 1948 amounted to 36,387 metric tons, which were shipped mainly to Shanghai and Hongkong.